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## Near East/South Asia Report

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6 September 1984

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AGRICULTURE MINISTER SPEAKS ON REORGANIZATION OF FODDER INDUSTRY

Cairo AL-AHRAM in Arabic 16 Jul 84 p 9

[Article by Hasan Salumah: "The Minister of Agriculture Decides the Reorganization and Monitoring of the Fodder Industry"]

[Text] Dr Yusuf Wali, the minister of agriculture and food security, issued a regulation to reorganize and monitor the fodder industry. Eng 'Abd-al-Raziq Badawi, the ministry's undersecretary for animal production, declared that the reorganization stipulates that the specifications for raw and processed fodder be identical to official specifications. The undersecretariat of the ministry will undertake to keep a registry of the ingredients, additives, and concentrates of processed fodder in accordance with the regulations, conditions, and specifications set by the ministry.

No factory for animal or poultry fodder is allowed to operate without obtaining a license from the ministry in accordance with official conditions. No factory is permitted to manufacture the registered fodder and ingredients except in the presence of a representative from the Ministry of Agriculture. As for cattle fodder factories whose output is delivered to the storehouses of the Main Trust Bank and its branches in the governorates, a representative from the Ministry of Industry must supervise the delivery of raw material which enters the factory and check its weight, and supervise the processed fodder and its shipping to distribution outlets.

In every factory a committee is to be formed to take a 100-ton production specimen or the equivalent of the production of 2 consecutive days, whichever is less; in analyzing the specimens, official, world-acknowledged analysis methods are to be employed. The one concerned has the right to appeal the result of the analysis and to request a repeat of the analysis within the 10 days following his notification of the result, for a 10-pound fee and the costs of the analysis according to the determined rates. If the specimen does not conform with specifications, the factory has to remanufacture the quantity of fodder which the rejected specimen represents. The processed fodder is packaged in packages suitable in their size and material for the kind of fodder produced and the method of its manufacture. The regulation prohibits the transportation of cattle fodder from one area to another except by a written permit from the Main Trust Bank and its branches in the governorates.

Mills, mixers, and presses are prohibited from circulating the amounts of raw fodder from bran, excrement of both kinds [human and animal], oil cakes, and other things, as specified by the animal fodder committee.

Trading in raw or processed fodder material, additives, or concentrates are to be prohibited except in an authorized store in which the circulation of the merchandise is registered.

Veterinarian quarantine is to take specimens from the components of imported fodder and additives.

A syndicated agricultural engineer must supervise the production, processing, and marketing of fodder. Judicial inspectors are to be responsible for inspecting the stores where fodder is sold, processed, stored and deposited, and for stopping any violations. The violator is required to pay the equivalent of the subsidy; and if the violation is repeated, the violator will be deprived of his allocation of raw material at the subsidized price for a month. In the case of another violation, the permit of the factory or store will be revoked and a new permit will not be allowed for 6 months from the revocation date of the old permit.

Eng 'Abd-al-Raziq Badawi drafted a new memorandum to develop the supervision apparatus on the fodder industry and its quality. The supervision apparatus will include two central laboratories to conduct all kinds of chemical analyses. Dr Badawi suggested the transfer of the protein laboratory's affiliation from the Egyptian Agricultural Institution to the ministry's undersecretariat for animal production. The laboratory of the Animal Health Institute will conduct the analysis operations as well as the laboratories of the Faculties of Agriculture at the Universities of Cairo, Alexandria, and Ain Shams and the National Center for Research. It was decided that a committee be formed to coordinate action between the undersecretariat of the ministry and the universities. The undersecretary of the ministry maintained that the new organization will be executed after the Feast vacation.

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HISTORY OF RESUMPTION OF RELATIONS WITH SOVIETS REVIEWED

Paris AL-MUSTAQBAL in Arabic No 387, 21 Jul 84 pp 26, 27

[Article by Yusuf al-Qa'id: "Moscow's Train Arrives at the Egyptian Station"]

[Text] On the eve of the exchange of ambassadors between Cairo and Moscow, Egyptian-Soviet relations are experiencing "encouraging" developments and Arab-Soviet relations are witnessing positive steps, some of which are the first of their kind. The Soviets say that they are returning to the East. What, however, is America's position?

The municipal sanitation workers of the city of Giza have started to clean the street behind and the street in front of the Soviet Union's embassy in Egypt, and the Giza traffic department has assigned more than one traffic policemen to the streets leading to and from the big embassy building. Anyone passing along the embassy wall will find embassy workers sweeping dirt off the top of the building and communications department employees in the embassy reviving the communications equipment pointed toward Moscow.

In Moscow it appears that the Middle East train is preparing to move, in its search for a new political map in the area, and that its first station will be Cairo. The building of the Soviet Union's embassy in Cairo is witnessing many preparations nowadays to receive Moscow's rapid train. The embassy building itself is located in a unique area. In 'Abd-al-Nasir's time, Egypt offered the land, midway between the home in which the journalist Muhammad Hasanayn Haykal lived and the museum-palace belonging to Muhammad Mahmud Khalil, which later became one of al-Sadat's homes, as a gift to the Soviet Union. The embassy looks out directly over the Nile in Cairo. How many times have the Americans talked about this unique location; their embassy does not have a view of the Nile, and their residences are scattered about in the distant section of al-Ma'adi, while all the employees of the Soviet embassy live in a building which looks out over the Nile a few meters beyond al-Sadat's home.

On the other hand, in the building of the Egyptian Ministry of Foreign Affairs, Ambassador Salah al-Basyuni is preparing to travel to Moscow to be the first Egyptian ambassador to Moscow following al-Sadat's break. He

will be leaving his position, for which he was famous in past years, in which he worked as director of the Department of Research, Studies and Information in the Egyptian Foreign Ministry. The first feature of his readiness to assume his new job was an important meeting he held with President Husni Mubarak before his trip to Moscow. However, the people who know the man and the people who know the task well say that the first Egyptian ambassador to Moscow following the rupture is extremely hostile to the Soviet Union and Moscow's thinking and policies.

In spite of the tumult that has arisen from these preparations, and in spite of the importance of the political steps on which President Mubarak has ventured, the Egyptian newspapers published the statement on the exchange of ambassadors as a limited news item, while no Egyptian has forgotten that when the Council of Ministers issued its decree on 16 September 1981, dismissing the ambassador of the Soviet Union and six members of the embassy at a meeting it held under the chairmanship of Husni Mubarak, the vice president at that time, none of the newspapers in Egypt came out with anything noteworthy except this item of news. Along with the dismissal of the ambassador, there were a number of other measures:

The abrogation of the contracts of all the experts and the war office in the embassy.

The reduction of the employees in the embassy, so that their number would equal the number of persons in the embassy of Egypt in Moscow, though the relations between the two countries had been affected much before that and had reached a state of total paralysis, notwithstanding the presence of the Soviet ambassador in Cairo.

The sequence of deterioration in Egyptian-Soviet relations was as follows:

On 6 July 1973 [sic], al-Sadat requested the Soviet Union to withdraw its military experts, who numbered 18,000, from Egypt.

On 17 March 1976, the Egyptian People's Assembly gave its agreement to the draft of a law which President al-Sadat had presented to abrogate the Egyptian-Soviet friendship treaty signed in May 1971.

In December 1977, Egypt closed down the cultural centers of the Soviet Union, East Germany, Hungary and Czechoslovakia and the consulates of the Soviet Union in Alexandria, Port Said and Aswan.

On 25 February 1979, Egypt informed the government of the Soviet Union of the abrogation of the protocols annexed to the agreement on air transport between the two countries.

The sequence of abrogations and dismissals then continued, finally covering the withdrawal of the Egyptian ambassador from Moscow, then the expulsion of the Soviet ambassador from Cairo.

However, there are people who consider that it is a mistake to view the resumption as a surprise.

This resumption has had many repercussions. On 24 January 1982, questions arose in everyone's minds when Egypt sought the assistance of 66 Soviet experts for Egyptian factories for the first time, and forces which considered that this entailed a threat to their interests and expected the rapid return of ambassadors were stricken by alarm. However, the line of communications after that proceeded most slowly. The first direct contact was the one which took place in March 1983, when Nikolai Baybakor, the Soviet deputy chairman of the USSR Council of Ministers, stopped in Cairo on his way to Addis Ababa. Meeting him at the airport was al-Shafi'i 'Abd-al-Hamid, the assistant minister of foreign affairs. He stopped once again when he was on his way back, on 12 March, receiving an oral response from Kamal Hasan 'Ali, who diplomatically greeted him by making contact although no new steps had been taken regarding a decision to bring back ambassadors.

However, the economic arena was more active. The year 1983 witnessed the signing of the first economic protocol between the two countries since 1978. In the period between those years, no commercial protocol was signed by the two countries; they contented themselves with lists of exchange of goods only. On 26 May 1983, the Egyptian first deputy minister of economy traveled to Moscow and signed a trade protocol with the Soviet Union for 1984. This accounted for an upsurge that marked an increase of 40 percent over 1983; the protocol came to 500 million pounds sterling. A 12-member Soviet delegation under the chairmanship of the deputy minister of foreign trade visited Egypt after the signing of the protocol. This was considered the biggest protocol to have been concluded by the two countries since 1975.

However, the main obstacle to the resumption [of relations] has been Egypt's debts to the Soviet Union. These are the debts which Egypt unilaterally stopped paying in accordance with a decree which al-Sadat had issued to that effect in 1980.

What, however, about the American position on this step?

Egyptian diplomats do not like to use the expression "political pressure." They consider that to be a matter which infringes on national sovereignty. However, it is certain that this step has not pleased Washington, which it is certain has exerted much pressure to keep it from taking place, or, if it had to take place, to have it come in the course of a later year. Washington is not receptive to the return of the Soviet ambassador; if he had to return, it would have been better that he do so after the American elections, so that that would not affect Reagan's position in the elections, and, if that had to happen now, why shouldn't Egypt bring back the dismissed Israeli ambassador, as long as it is carrying out a normalization process with the Soviet Union? Since Cairo's position was to reject the three suggestions, Washington addressed Moscow to make some step toward Israel, such as bringing back its ambassador there.

In Israel, Yitzhak Shamir declared that the return of the Soviet ambassador to Cairo would not have an effect on Egypt's relations with Israel, in their current state, or on the Egyptian-Israeli peace treaty.

In spite of these details, the Egyptian step signifies a desire to seek a political balance which had been lacking in al-Sadat's time, and means that it is not in the national interest to put all the Egyptian eggs in the American basket.

However, the matter goes farther than that, in the mind of the pro-liberalization right in Egypt. The pro-liberalization merchants feel anxiety over Moscow's goods, which have come back into the markets. A merchant told me, "Can you imagine that Egyptian citizens are paying the price for Soviet Lada cars and waiting 6 months in line for them to arrive? Do you know that the Russians are offering a new refrigerator for the first time in Egypt, and that these goods are becoming popular out of the desire for change alone?"

A politician wondered:

Are the Soviets becoming another element in the region's affairs? Will America accept this? Will Israel follow suit?

The Soviets say that whoever enters Egypt enters the Arab East, and whoever leaves it leaves the Arab East. Is the "prediction" being realized now? Moscow's train is on the verge of stopping in the Egyptian station; what about the region?

The United Arab Emirates is now studying the establishment of diplomatic relations with the Soviet Union for the first time, the visit by Prince Talal to Yugoslavia, the first time he is visiting a socialist country, is being turned into a Yugoslav-Saudi "flirtation," and Moscow says that it will offer arms to Kuwait. What exactly is the story?

In the early seventies, the Soviets left and the Americans came in at once. The arrival and departure basically took place in Egypt. We are now drawing close to the mid-eighties, and Moscow's train is on the verge of reaching the area: Will the Americans be leaving?

This time, the issue is not purely a mechanical one, as it was last time. However, in any case, we are faced with a new political map in the whole Middle East region.

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SIGNIFICANCE OF NEW CABINET CHANGES FOR ARAB RELATIONS EXPLORED

Paris AL-MUSTAQBAL in Arabic No 387, 21 Jul 84 p 27

[Article: "The Opening to the Arabs Characterizes the New Egyptian Cabinet's Policy"]

[Text] The most conspicuous feature of the cabinet change announced in Cairo last Monday evening was the appointment of Dr 'Isamat 'Abd-al-Majid as minister of foreign affairs, the "removal" of Maj Gen Hasan Abu Basha from the position of minister of the interior, and the appointment of an officer who is well known for his determination and strictness to be his successor.

The appointment of Dr 'Abd-al-Majid (61) as minister of foreign affairs was not a surprise, since that was confirmed at least 2 weeks ago. However, this appointment has become the prime "event" in the cabinet change. The reason may be ascribed not only to the extensive diplomatic expertise which 'Abd-al-Majid enjoys, but also to his Arab ties. The fact is that 'Abd-al-Majid is considered a prominent Egyptian diplomat; he has become famous for his sagacity in managing delicate negotiations and is known for his shrewdness and broad scope. He received a doctorate in international law from the French Sorbonne University and in 1954 participated in the delicate negotiations to ensure the withdrawal of the British forces from the Suez Canal zone. He assumed a number of positions in the diplomatic corps until he was chosen to be counsellor of the Egyptian embassy in Paris, from 1963 to 1967. He was then appointed director of the Cultural Affairs Department of the Foreign Ministry before becoming chairman of the Information Department and official government spokesman in 1969. In 1970 he was appointed Egypt's ambassador to Paris, then minister of state for cabinet affairs in 1971, then chairman of Egypt's permanent delegation to the United Nations from 1972 until 1983, when he reached the legal age, was transferred to retirement, and opened a law office. However, President Mubarak has summoned 'Abd-al-Majid from his "retirement" and chosen him to be foreign minister. The fact is that while he was in the United Nations as Egypt's ambassador, 'Abd-al-Majid established broad ties with a large number of Arab ambassadors and ministers; these endured for the most part even after the signing of the Camp David treaty and Egypt's departure from Arab ranks. 'Abd-al-Majid has been known for his intense concern to attempt to restore Egyptian-Arab relations to their previous status, and Mubarak's policy of opening up to the

Arabs has given him greater scope to act and make contacts with a number of Arab officials than did al-Sadat's policy. Perhaps the retention of Dr Butrus Ghali in the position of minister of state for foreign affairs reflects Mubarak's desire to follow a foreign policy founded on the one hand on the attempt to hold to the line of "sound relations" with Israel, as the Camp David treaty defined it, which Dr Ghali is concerned about, and on the other hand on the attempt to realize a greater opening up to the Arabs. This will be 'Abd-al-Majid's task. It is of course an extremely difficult task, since the Arab position remains as it was: no resumption of normal relations with Egypt before the abrogation of the Camp David treaty.

The second "event" in this cabinet change was the "dismissal" of Hasan Abu Basha from the position of minister of the interior, his appointment as minister of local government, and the choice of Maj Gen Ahmad Rushdi as his successor. This step in effect came as a surprise to political observers in Cairo, who had considered Abu Basha an important pillar of Mubarak's regime. However, it appears that the reason for his "dismissal" from the Ministry of the Interior was President Mubarak's great displeasure over the violence, disturbances and incidents which took place during the parliamentary election process last 27 May. It appears that Mubarak kept this "displeasure" to himself, since no one had noticed that Abu Basha had lost his favor with the Egyptian president. The new minister of the interior, Maj Gen Ahmad Rushdi (60), has worked since 1946 in state security agencies and has held various positions and responsibilities in it, including the position of director of Cairo security from 1976 to 1978 and the position of assistant minister of the interior, which he continued to occupy until his appointment as minister of the interior. Maj Gen Rushdi has been known for his determination and severity, and his task will be to control public security in various areas of Egypt, and not just content himself with attempting to control the "Islamic groups" in opposition to the current regime, as Abu Basha did.

In addition to these two important events, observers in Cairo note that the establishment of two new ministries, those of education and housing, reflect Mubarak's social interests and his concern to deal with the crises resulting from the absence of adequate housing and the absence of sufficient outlets for university graduates. The Ministry of Housing has been assigned to Muhsin 'Abd-al-Fattah Sidqi, a major general in the Corps of Engineers, and observers expect that this minister will actively try to solve the housing problem in an effective manner and deal with the state of chaos that is rampant in the real estate market, which has witnessed a number of scandals in recent years.

Observers also paused to take note of the appointment of Dr 'Abd-al-Hadi Muhammad Qandil as minister of petroleum and mineral resources. Dr Qandil, who succeeds Ahmad 'Izz-al-Din Hilal in this position, is a first-class technocrat with a strong personality who is skillful in negotiations with the foreign oil companies. His basic goal is to develop oil production in Egypt.

It has also been observed that there are seven ministers who are assuming ministerial positions for the first time: Ahmad Rushdi, 'Abd-al-Hadi Qandil, Muhsin Sidqi, 'Isam Radi, al-Ahmadi Abu-al-Nur, 'Atif 'Ubayd and 'Abd-al-Salam 'Abd-al-Ghaffar.

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POST-ELECTION SQUABBLE BETWEEN WAFD, MOSLEM BROTHERS REVIEWED

London AL-TADAMUN in Arabic No 66, 14 Jul 84 p 17

[Article by 'Abd-al-Qadir Shuhayb: "The First Crisis after the Elections: The Winds of Crisis Rage over the Alliance between the Wafd and the Brothers"]

[Text] The first crisis between the Moslem Brothers and the Wafdists in the Wafd Party following the conclusion of the parliamentary elections in Egypt has been contained. Shaykh Salah Abu Isma'il has changed his decision to freeze his membership in the Wafd Party because Counsellor Mumtaz Nassar was chosen leader of the Wafdist parliamentary opposition in the Egyptian People's Assembly -- the position Shaykh Salah Abu Isma'il had occupied before the parliamentary elections. Both sides, the Moslem Brothers and the Wafdists, denied that there were any new disputes between them. Shaykh 'Umar al-Talmasani, the leader of the Moslem Brothers in Egypt, issued a statement in which he asserted that he did not know anything about this lie, and expressed his "disapproval of the campaigns of intrigue and backbiting between the Brothers and the Wafd."

In a statement he made, Dr Nu'man Jum'ah, the Wafdist leader, declared that the alliance between the Moslem Brothers and the Wafd would continue.

The new crisis between the Wafd and the Moslem Brothers arose because of the decision the Wafd's higher committee had made to choose Counsellor Mumtaz Nassar leader of the Wafdist opposition in the Egyptian People's Assembly. Shaykh Salah Abu Isma'il was one of the Moslem Brothers' main figures, and the Moslem Brothers considered this to be a decision against them, or a shift in the position of the Wafd's leadership against them, since this leadership did not consider that Shaykh Salah Abu Isma'il should stay in the position which he had occupied before the parliamentary elections were held in Egypt -- especially since the decision to choose Counsellor Mumtaz Nassar had been preceded by statements by a number of Wafdist leaders asserting that the Wafdists' opposition leader would be chosen from among the Wafdists, and not the Moslem Brothers, as was the case before the elections, since the Wafdists had won about 48 of the assembly's seats, while the number of seats the representatives of the Moslem Brothers obtained did not exceed 10.

Shaykh Salah Abu Isma'il specifically had considered the decision removing him from his previous position to be prejudiced against him and in favor of his opponents within the party who support the notion of secularism.

A sharp discussion took place within the party on the notion of secularism, the religious state and the application of Islamic law. The two parties to this discussion were Shaykh Salah Abu Isma'il, on the one hand, and some old as well as new Wafdists on the other. Therefore, Shaykh Salah Abu Isma'il made his decision, which he declared the night the higher committee of the Wafd Party took the decision to remove him from the position of opposition leadership -- the decision to freeze his membership in the Wafd Party, until the position of the Wafd Party leaders regarding his ideas and the ideas of his opponents regarding secularism and the religious state became clear. Shaykh Salah Abu Isma'il declared this decision a short time before his trip to Kuwait.

The issue was not restricted to this alone. Rather, the first signs of a new crisis between the Wafd and the Moslem Brothers, or the first crisis between them following the parliamentary election campaign which had made their alliance necessary, flickered on the political horizon, and the threat that this crisis would expand appeared when it was bruited about that the decision to freeze the membership would not be restricted just to Shaykh Salah Abu Isma'il, but that the Brothers' other representatives in the parliamentary body of the Wafd Party would follow his example. It was also bruited about that these deputies, who were 10 in number, would form an independent front in the Egyptian People's Assembly which would speak not in the name of the Wafd but just in the name of the Moslem Brothers.

Thus, for a while, the expectations which had become widespread in Egypt on the future of the alliance between the Wafd and the Moslem Brothers a short time before the parliamentary elections seemed valid; these expectations were that this would be just a temporary alliance, and would end when the election campaign ended, since it was an alliance not of ideas or principles but an alliance that the circumstances of the election campaign and the restrictions the law on elections had imposed on the participation of all political forces and groups that were not included under the banner of any of the parties which actually existed in Egypt in the parliamentary elections had dictated. However, these expectations soon receded once again, after efforts were quickly made by both parties to pre-empt this crisis and extend the life of the alliance between the Brothers and the Wafd for a further additional period. Shaykh 'Umar al-Talmasani, the leader of the Moslem Brothers, exerted conspicuous effort in these attempts; on the other side, Fu'ad Siraj-al-Din exerted similar effort as well.

At the outset, the Wafd leaders expressed their readiness to choose another representative for the Brothers to the party's higher committee, in place of Shaykh Salah Abu Isma'il, but Shaykh 'Umar al-Talmasani's efforts later succeeded in diverting Shaykh Salah Abu Isma'il from his decision to freeze his membership in the Wafd Party, to preserve the continuity of the alliance. Shaykh Salah Abu Isma'il sent a letter from Kuwait supporting the choice of Counsellor Muntaz Nassar as leader of the Wafdist opposition in the Egyptian People's Assembly, and declared that what had been published regarding the

news of the freezing of his membership in the Wafd Party did not correspond to reality.

Thus, after Shaykh 'Umar al-Talmasani's efforts at winning over the Brothers' other deputies within the Wafd had succeeded in diverting a freeze in their membership, they managed also to persuade Shaykh Abu Isma'il himself to desist from freezing his membership in the Wafd Party. Thus, the first crisis to arise between the Wafd and the Brothers following the end of the parliamentary elections in Egypt was controlled; however, some observers do not consider that this means an end to the crises between the Wafdists and the Brothers, but rather that the future will involve further disputes between the two parties and that a rift between the two is imminent and inevitable. These observers consider that the choice of Muntaz Nassar for the leadership of the Wafd's parliamentary opposition is just a tentative step, which it is expected will be followed later by another step, with the choice of a sincere Wafdist to lead this opposition. Therefore observers expect that the Brothers will form a front within the People's Assembly which is independent of the other Wafd deputies, when voting is held on the numerous issues and questions which provoke disputes, in a manner where such a front will not be declared.

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CSO: 4504/380

## REGULATIONS REGARDING ISLAMIC BANKING

Cairo AL-AHRAM AL-IQTISADI in Arabic No 804, 11 Jun 84 pp 36-37

[Article by Jamal Fadil: "Islamic Banks Demand Islamic Control"]

[Text] Islamic banks have become a fact of life, but the framework surrounding and controlling them needs to be Islamic as well. Consequently, many have been asking why not set up a special watchdog department for Islamic banks within the [Egyptian] Central Bank or set up an Islamic central bank?

It is clear that control measures, exercised by the Central Bank in accordance with its law and with the banking and credit law, are inconsistent with the nature and activities of the Islamic banks and the newly-established Islamic bank branches.

The Islamic bank system, be it in the form of purely Islamic banks or Islamic transaction branches, is governed by Law No 163 of 1957, recently amended in 1984. Nonetheless, the Islamic bank system has many characteristics that render it a totally different activity, in the opinion of Isma'il Sayyam, former director of the Islamic branches department at Misr Bank. Some of these characteristics are:

-Wide-ranging activity inasmuch as there are two types of traditional banks in Egypt operating in light of the banking and credit law. They are the commercial and non-commercial banks, defined as the real estate, industrial and agricultural banks known as specialized banks. The Islamic system banks include the activities of the commercial and specialized banks, in addition to two types not mentioned in the banking and credit law: the investment and the credit banks.

Moreover, the nature of the Islamic bank system requires that holdings and dealing be executed either through the banks or other parties, which is contrary to the valid banking and credit law. Whereas the purely Islamic banks have defined these purposes in their statutes, the Islamic transaction branches of traditional banks do not follow this system. While they can, in practice, abide by these practices, this system limits the characteristics of the Islamic bank system.

-Depositors and clients of the Islamic system banks accept the principle of profit and loss, a concept not observed in the traditional banking systems.

The Islamic bank system banks are not founded on the basis of giving credit for collateral, but rather on actual participation in their projects, thus operating outside the scope of known traditional credit functions. They are founded on a special standard that achieves social and economic growth and is based on the projects' economic feasibility studies and not on the basis of their ability to pay off the loan, as is the case with traditional banks, a method that has proven its uselessness because it ignores many factors, such as the economic production capacity, how the project relates to other projects and the ability to realize the feasibility study's objectives.

-The Islamic system banks require two kinds of controls: religious control authorized by their basic system and technical or economic control, not as credit institutions, but rather as full-service ones.

The truth is, in the words of the former director of the Islamic branches department at Misr Bank, Isma'il Sayyam, that the banking and credit law does not provide such control criteria that are necessary for state sovereignty.

However, there remains an important question that if the present control and credit law does not provide a *modus operandi* or control consistent with the nature of the Islamic system banks, will these banks remain as they are after the discovery of this loophole?

And, will an Islamic central bank be established and what will its function and standards be?

To answer these two questions, it must be established that during the transitional phase and until such time as the Islamic bank system is crystallized, it is preferable that a special entity be created within the Egyptian Central Bank domain, as provided for in certain ministerial decrees, such as Articles Nos 39, 41 and 43 in the Egyptian Central Bank board of directors' resolution based on Articles Nos 40 and 44, in order to achieve the desired phased objective.

In other words, an Islamic system banks' watchdog department must be created in the Central Bank. This department would operate on the basis of this systems' dissimilar nature in light of objectives and means of these banks, so that the state's sovereignty over them may be defined, and on the basis that the apparent objective of the Islamic system banks is not to deal in usury, an easy matter achievable either through the legitimate watchdog committee within the scope of each bank or the higher committee within the scope of the Islamic Banks Federation for referral to the al-Azhar Futwa [legal opinions] Committee, the Awqaf [ministry], the Grand Mufti of Egypt or any other religious entity, thus achieving legitimate control which is the easiest kind of required control of Islamic system banks.

As for the Islamic banks's true objectives, they are economic in nature. Do they follow ways and means that would help realize such objectives? The first of these objectives is to lower costs through participation in projects, which is different from project financing offered by traditional banks inasmuch as it does not represent an expense on the project, but rather participation is pro-rated as far as distribution is concerned. Hence, there is no expense as is the case with loans whereby loan costs are deducted from project returns prior to income distribution.

Furthermore, costs may be reduced via lower prices of commodities, imported goods in particular, owing to the fact that the Islamic banks follow a well-planned scientific method of investment acquisition. It imports from the original producer in quantities that allow it some advantages in prices not available to individual importers as much as its apparatuses study the markets and the possibility of entering the contract exchange and regulating commodity flow. Concerning investment acquisition, the Islamic banks are likewise capable of regulating these deals in a way that lowers costs. As original owner, it can eliminate the middleman and other services that jack up prices.

Such objectives cannot be realized by the Islamic banks or even the transaction branches within the scope of the present banking and credit law. So are we going to impede a clearly advantageous march just because the Islamic banks follow objectives not permitted by the present law that regulates their activity?

The Islamic banks have the unique objective of working to deal with inflation in view of the fact that their activities are based on the precept of managing the monetary liquidity in society by achieving a true transfer of goods and services rather than redistributing the liquidity according to traditional banking criteria in the form of cash credits that ultimately lead to higher inflationary pressures. The Islamic bank system leads to the transformation of inflationary pressures into commodity flows in the sense that participation with banks, which are equal to loans in traditional banks, are represented in increased goods and services whereby the partner is not allowed money as a loan against collateral, but rather a liquidity for an actual purchase of goods and services. In other words, stimulating monetary liquidity in exchange for the material stimulation of goods and services. There is no doubt that the remedy for true inflation lies in increased production in the form of goods and services which can be accomplished by the Islamic bank system tactics.

Therefore, the quantitative control exercised by the Central Bank over the traditional banks has no justification in Islamic banks because partnerships do not increase the amount of money in circulation as in traditional credit, but rather raise production and increase the volume of goods and services. Therefore, the determination of liquidity reserves or legal reserves is different in Islamic banks since they are means of regulating credit in traditional banks and is inconsistent with Islamic banks which are not based on traditional credit but on production or service partnership.



This is a key objective of Islamic banks. So will they remain under the traditional umbrella of the quantitative and qualitative control of traditional banks?

Based on this, the functions of the traditional Central Bank are not what is required in the Islamic central bank because procedures related to credit control criteria and the monetary policy system which is linked to the interest rate are inconsistent with the Islamic bank system and, in fact, impede its means for realizing its true objectives. For non-dealing in interest rates and usury is only the ostensible objectives whereas its credit objectives in their entirety aim at bringing about economic and social growth on the basis of constant and lasting rationalization with a view to realizing the best returns for depositors and investors.

It is possible at this point, to define the functions of the proposed Islamic banks watchdog department which includes:

- Ensuring that partnership projects are fashioned after the state's development plan.
- The price of dealing in investment acquisitions represents the price of the first producer or owner. This brings down the prices.
- That partnerships and transactions are a true transfer of goods and services and not an artificial transfer resulting in only a cash flow.
- Gathering uninvested deposits to make them available to other Islamic banks that are in need of partnership money and instituting serious control on the receiving bank with regard to investing and employing this money in partnerships and gainful resales with good returns that would benefit the bank from which such a surplus was withdrawn.
- Commitment to the bank service charge imposed by banking banks on banking services.
- Data collection and statistical studies and also drawing up appropriate exemplars for Islamic banks statistics.
- Ensuring that the Islamic transaction branches in traditional banks are based on the separation of Islamic activity money from their traditional activities.
- That the connecting link between the Islamic banks and the legal watchdog agency be within the scope of state systems. Also, subsequent resolutions may be issued in order to render the articles of the banking and credit law compliant with the nature of the Islamic banks. These articles are Nos 39, 40, 41, 43 and 44.

Muhammad Fahmi al-Sayyid, former advisor of the Saudi Arab Monetary Institution and former governor of the institution's banking system Studies Institute, confirms that the unique characteristics of the Islamic bank system include the following:

-A comprehensive system that offers various economic activities. Thus, its activities are not limited to those of the commercial banks, but extend to specialization, investment and business banks, hence its unique characteristic of managing society's cashliquidity.

-It does not deal in usury from the viewpoint of liberating its transactions from any legal restrictions. Therefore, its transactions are based on the principle of dealing in and ownership of movable and real assets, something not allowed in commercial banks.

The Islamic bank system depends on the concept of being a proxy for depositors in that it speculates with their money, hence the investing depositor deals with the bank and accepts the principle of gain or loss of his investment. This is not observed by traditional banks.

These characteristics have led to intrinsic differences between the Islamic bank system and the provisions of the Banking and Credit Law No 163 for 1957, as amended by Law No 50 for 1984, which regulates the activities of traditional banks.

Differences with regard to the provisions of this law may be summed up in a ban on dealing with movable and real assets, except as authorized by the law for employees recreation and bank transactions; a ban on owning shares in joint stock companies, except within the confines of specific precepts not to exceed 25 percent of the company's capital and the bank's paid-up capital and reserves; the establishment of liquidity and reserve rates which every bank must maintain; establishment of the kinds of liquid assets and also the rates that must be observed between money loaned in relation to the volume of deposits and establishment of maximum limits for credit and debit interest rates which is inconsistent with the Islamic bank mode of operation.

Whereas the statutes of Islamic banks already operating in Egypt clearly specify certain conditions whereby these restrictions may be lifted in accordance with the nature of their activities, the situation is different with regard to the Islamic transactions branches in view of their affiliation with banks or the fact that their statutes do not include the same thing as those of the Islamic banks.

The former advisor of the Saudi Arab Monetary Institution proposes the establishment of the Islamic bank administration to assume the task of overseeing Islamic banks and Islamic transaction branches, particularly since the Central Bank of Sudan has set up such an administration which has the following tasks:

-Regulation of control over Islamic banks and Islamic transaction branches in a way that will distinguish between their transactions and the special transactions of traditional banks.

-Drawing up rules to achieve coordination between these banks and the transaction branches as well, with regard to the investment of their

money within the limit of what God has permitted. Furthermore, the banking and credit law must be revised, especially since the Islamic banks have become a fact of life; the boundaries of Islamic transaction branches in their ownership of shares in companies that they set up and the limits of trading and dealing in accordance with Islamic bank systems have been set free; the kinds of dealing within which the Islamic bank system may operate have been defined; speculation, contributions, resales and direct and indirect investments have been circumscribed and liquidity and reserve rates have been revised in conformity with the nature of Islamic transactions.

12502

CSO: 4504/323

INCREASED DEALS BETWEEN PUBLIC SECTOR, CURRENCY TRADERS DISCUSSED

Cairo AL-AHRAM in Arabic 13 Jul 84 p 7

[Article by Sharif al-'Abd: "The Black Market in Dollars... Who Is Responsible?"]

[Text] The office of the Socialist Prosecutor is currently conducting several investigations into the investment banking sector. These investigations produced serious results when they showed that the dealings of one important currency trader had amounted to \$2 billion in one year alone!

The investigations also showed that this trader had extended his dealings to public sector companies and banks. In one day, he did \$87 million worth of business with them.

All this definitely indicates that the last few years have seen increasing interaction between the companies of the public sector and currency traders. Naturally, this has been justified by the inability of the public banks to provide the funds these firms need in order to import the requirements of production. The public banks lack monetary liquidity. Thus, they have been forced to expand the scope of their interaction with currency traders in an unrestrained manner. We can ask whether this interaction between the public sector firms and the currency traders, though illegal, takes place at the lowest prices predominating in the free market for dollars, or whether it contains within itself the specter of fraud and exploitation, as a result of the shortage and lack of currency. In other words, in such a case, some officials in these companies get the chance to collude with currency traders to buy foreign exchange at prices above those in the autonomous free market. In the end, this benefits both sides. No other interpretation of this behavior is possible, because the absence of a doubt means that all the firms in the public sector have bought dollars at a unified price in 1 or 2 days or over a short period in which the dollar was steady. Of course, this has not happened. This is what also makes us ask about the possibility of uncovering this fraud, which was undoubtedly by the fact that our producers have had to bear burdens they did not have to carry before. In addition, it was caused by the squandering of public funds. Can one say that this will not happen again in the future?

## The Cause: the Failure to Regulate Industry's Needs for Foreign Currency

According to Mahmud Hilal, the first assistant secretary of the Ministry of Industry, the lack of currency and the state's failure to regulate the needs of the public sector firms for foreign currency have directly caused the existence of this phenomenon. That is, they have given rise to the companies' interaction with the currency traders. No such thing should have happened.

However, the fact is that any industrial company needing certain quantities of raw materials or spare parts imported from abroad also needs to take out the loans that are essential for import operations. Any delay in taking out such a loan means that factories will stop and operations will slow down. All this adds to production costs.

This is what has been happening. The company in question would ask for a loan from a public sector bank. The bank would refuse saying it had no supply of foreign currency. Often, the bank would ask the company to come up with the currency it needed on its own. Such things should not happen at all. In such a case, it is natural for us to expect the company in question to find foreign currency for an exaggerated price, since it will have to deal with the currency traders. Often, companies in this situation lacked the banking experience that would have permitted them to get the foreign exchange from the free market at the lowest prices. The minister of the economy has previously suggested that the public sector companies import a portion of their needs without changing currency. "We have opposed this suggestion strongly, noting that this is not part of our work or field," Mr Hilal said. Rather, it is a basic task of the banks for which they must assume full responsibility.

Indeed, the matter became so complex that banks in the public sector, which hold the basic responsibility for providing us with currency, would ask the presidents of companies to forget about the price. The banks would undertake to buy dollars at the currently prevailing price. Of course, the company presidents would be forced to agree, given their urgent need for currency, since any delay would cause factories to come to a halt and losses to accumulate, as a result of the unavailability of raw materials that must be imported from abroad, for instance.

The companies are supposed to deal with national banks, since they are forbidden to do business with any foreign bank so long as they are in debt to a public sector bank. However, in the face of various pressures and the failure of the public sector banks to provide what they need, the companies have begun to turn to foreign banks and currency traders in order to get the foreign exchange they need.

The situation here described can be dealt with by granting the industrial firms of the public sector total priority in the allocation of foreign exchange, thereby assuring that these companies will not do business with currency traders and so become prey for them. This can happen, either through the existence of good intentions resulting from a lack

of experience in such matters on the part of the officials in these firms or through the agency of employees who want to exploit the crises for their own advantage by getting rich quickly. We would like to add that the industrial sector companies are managing to take in about 460 million pounds from exports, while they need 800 million pounds worth of foreign currency a year. That is, they can meet more than half of their needs for foreign exchange, not counting the American loans allocated to the industrial sector, which also help to cover a portion of its foreign currency needs. Thus, all the industrial companies taken together need about \$350 million a year above and beyond the returns from exporting, which cover the greater part of their needs. The state must see to the remainder and give it priority. In this way, it can avoid the occurrence of many negative developments that often outweigh by far any burden the state might have to bear in the form of loans granted to industrial companies.

#### The Public Sector Banks Give Priority to the Requirements of Production

According to 'Abd-al-Mun'im Rushdi, the president of the National Bank, all the public sector banks without exception are trying as hard as they can to continue to respond to the requests from the public sector companies for loans. Indeed, the banks are making sacrifices in order to do so. They do this at the expense of their own customers, since they constantly give priority to requests from the public sector companies.

"As for statements to the effect that some loans are delayed for 6 months, this sort of thing rarely happens, especially in the case of loans to finance the importing of raw materials," Mr Rushdi said. "We are well aware of how serious it is to obstruct the importing of these materials. We know that each such period has a damaging effect on the production process."

In general, a company is not forced to do business with a particular bank in the public sector. If it suffers in its dealing with one bank, it can switch to another. It has an unrestricted right to do so.

"Public sector companies no longer do business with currency traders," Mr Rushdi said. "On the basis of a decision by the minister of the economy, their [currency traders'] funds have been frozen. No bank can do business with them. Private activities in the field of currency trading are almost nonexistent now."

There is no doubt that the government will be eager to follow up this positive step with the required flexibility in the determination of the official exchange rate used by the banks. With this eagerness to achieve flexibility, it will be easy for the banks to produce enough foreign exchange to meet the needs of the public sector companies. However, this also requires the continued application of the policy of controlling imports.

## Doing Business With Traders on the Black Market Is Necessarily an Error

According to 'Abd-al-Hamid Sa'id, the chairman of the Association of Food Industries, "It is totally unreasonable for public sector companies to acquire the hard currency they need through individuals. I do not believe that any company has adopted this method, since it is considered a dangerous procedure that is held against the company and places its officials in a predicament. This is true even if they have good intentions, because a currency trader always exploits the scarcity of hard currency in his own favor. He always tries to engage in speculation in order to realize the greatest profit possible. Consequently, a company doing business with a currency trader will fall victim to exploitation and fraud.

"There is no disputing the fact that all the public sector companies without exception are suffering greatly in the course of obtaining the foreign currency they need," Mr Sa'id said. "I am not exaggerating at all when I say that 80 percent of the loans these firms need to get in order to import the goods they need from abroad are obstructed and blocked in the national banks, which are basically responsible for regulating the flow of foreign exchange and making such loans when they are required. However, no matter how huge this obstacle is, one cannot accept it as a justification for doing business with individuals to acquire foreign exchange."

## Industry and Dollar Problems with the Public Sector Banks

If some consider it probable that public sector companies will do business with currency traders, this is because of the difficulties that have come to be experienced by all those who do business with the public and private sectors in the area of acquiring currency. Given the existence of the obstacle presented by the providing of foreign exchange, how can we increase productivity and stimulate the activity of the public sector? The most dangerous thing that can threaten activity and place burdens upon production cost is the failure of necessary raw materials to reach their destination on time. This immediately causes factories to stop. This means that the company in question has to pay the workers' wages and the fixed costs and expenses without achieving profits from which to take the funds. The public sector banks do not possess the necessary amounts of foreign exchange that could cover the companies' needs. Often, a bank will ask a firm that has requested a facility to wait a little. This waiting can last for 6 months. Sometimes, it lasts for an entire year. When taking out such loans, most public sector companies do business with the Bank of Alexandria. All of them without exception suffer from both matters. Most loans are delayed for long periods. This really does threaten the continuity of business activity.

Let us put ourselves in the shoes of the president of any company to whom the bank in question grants a facility of foreign currency of which he has need. Will the president wait, as the bank has asked, until

production halts, or will he look for other sources from which to acquire the foreign currency? Even if he can only find dollars at a far higher price, that will be far less damaging to his firm than if he were to wait for the facility to be made available, in accordance with the circumstances of the bank in question.

As we have said, doing business with individuals in this area is unacceptable. There are other alternatives whose cost might be a little more. For example, one can turn to public sector firms that have realized an export surplus and have more foreign exchange than they need. They can give this currency to a firm whose facility has been delayed at the market rate. Even if there is an increase in the price of the dollar, the money will stay in the public sector in the end.

Some companies turn to foreign banks for such facilities. This is also unacceptable, since it might involve indirect dealings with individuals. In such a case, the foreign banks can play the role of intermediary by buying foreign exchange from a currency trader and selling it to a company.

#### The Solution: Realistic Exchange Rates for the Dollar

The problem can be handled by reviewing the dollar exchange rates used by the public sector banks, so that we can be sure that the transfers are actually flowing through legitimate channels. In this way, these banks will be able to make all the necessary loans. This will largely spare us the tendency for the public sector to turn to foreign banks in order to acquire foreign exchange. It should not be part of the job of the president or the officials of a company to keep after the national banks day by day in order to get these loans. Neither should they have to look for the most appropriate or cheapest sources of foreign exchange.

#### The Responsibility of the National Banks Is To Balance Supply and Demand in Order To Control the Exchange Rate of the Dollar

Eng Majdi Khitab, the president of the Coldair Company, had this to say: "The exchange rate announced in the national banks nowadays does not realistically attract transfers. The greatest proof of that is the worsening of the crisis and the failure to make the loans needed for importing. As long as the predominant exchange rate fails to be attractive, the crisis will continue. The companies of the public sector are considered its primary victims."

Perhaps there are companies that export their products, thereby providing some of the foreign currency they need for importing. Perhaps other companies sell their goods in the country for hard currency, on the local market, thereby also helping to meet their need. Such activity is modest and cannot solve the crisis entirely. Therefore, what is the solution with respect to companies that produce goods that do not achieve an export surplus? The majority of the public sector companies fall within this category. All their output is used to meet local needs.



The responsibility for regulating foreign exchange must never fall on the shoulders of the public sector companies. It is the responsibility of the banks and falls within their original specialization. Thus, the banks must fulfill their responsibilities, even if it is necessary for them to announce frankly a high price for the dollar that represents the true alignment of the forces of supply and demand. This would be much better than having the process of granting facilities stop, as is the case now. Even if the public sector and its companies bear an additional burden in the form of an increase in the dollar's rate of exchange, at the very least the increase will flow into the national banks instead of foreign banks, which often serve as a cover for currency trading.

12224

CSO: 4504/370

EGYPT

SUCCESS OF PORT SAID FREE TRADE ZONE DISCUSSED

Cairo AL-AHRAM in Arabic 22 Jul 84 p 9

[Article by Dalal al-'Atawa: "Port Said: Free to Consume or Produce?

Industrial Enterprises in the Free Trade Zone and the Resumption of Exports Abroad"]

[Text] After the direction of the free trade zone in Port Said has been changed, and after its transformation from consumption to industrialization and production, it is necessary to take another look at the many economic regulations and measures that govern the process of change from consumption to production.

The figures confirm that most of the enterprises in the Port Said free trade zone, including 26 industries, 57 storage projects, and 8 refrigeration enterprises, have faced numerous difficulties of various kinds which have played a part in stopping some of them and eliminating or freezing others.

The Ministry of Economics has required the industrial enterprises to export at least 50 percent of their production, allowing them to distribute the remaining 50 percent domestically on the condition that they reduce their domestic distribution by 10 percent every six months. These companies have little capital, however, and their owners have insufficient expertise in comparison to that found in similar industries in countries which preceded them industrially. Moreover, it is not possible for them to compete with industries from which they have gained their experience and in markets from which they have derived support for many years.

As for the problems of the storage enterprises, they revolve around regulation 259 from the Ministry of Economics, which forbids importation except from countries which produce many items needed in Egyptian markets. This allowed the storage of these goods by the storage enterprises of the general free trade zones and the free city, as if it were a foreign country. Despite the direct importation of these goods to the projects directly from the producing country, the projects were then obligated to redistribute these goods within the country. This regulation led to the stagnation of most of the storage enterprises in Port Said, the free zone!!

As for the eight refrigeration enterprises in the Port Said general free zone, they have their problems as well. Most of these enterprises store frozen foodstuffs, mainly imported to the interior, most paid for by the Ministry of Supply, which pays for the storage in Egyptian currency given to it.

The general problems that block the progress of production enterprises are the worst of all.

The principle of allocating land for leasing to enterprises leads them to fear the huge outlays for permanent fixtures on land owned by someone else, and it makes banks hesitant to finance structures on lands owned by the enterprises. Moreover, they are only licensed to operate by the Enterprise Investment Council for 10 years.

The high cost of freight and unloading from other Mediterranean ports.

The high cost of leasing in comparison to the cost of owning land outside the governorate, where land can be owned for the price of a 1 or 2-year lease!!

The ideal solution to most of these problems--in the minds of the investors of Port Said, its industrialists, as well as its officials--is an agreement to the principle of changing some of the enterprises in the free zone whose owners wish to participate in the domestic investment system, contingent upon a study of each individual case. There are a number of industries which have applied for conversion to the domestic investment system, and in addition most of the 57 storage enterprises want to change to industries in the domestic investment system.

An acceptable proposal is to study the range of possible answers to these desires that would leave the domestic investment system intact. The only obstacle is that these enterprises are now sitting on land allocated to the general free zone, especially since the 864 square meter area of land allocated to the general free zone is not completely independent, and is still about 50 percent unoccupied, although it has been designated for more than 7 years. On the other hand, there is no other land available to Port Said for use by enterprises in the domestic investment system. The best use of the non-independent land available in this area calls for the conversion of enterprises which now have equipped facilities in order to achieve the maximum use possible.

The basic issue in Port Said is to free its hands to participate in the domestic investment system so that it may turn to production and make use of this idle capacity, especially since most of it is Egyptian property. Its stagnation in this situation is a national loss and possibly the forfeiture of an opportunity for any industrialization and production which is possible and not in the realm of the impossible.

9310

CSO: 4504/376

## EGYPT

### INCREASE OF REFINED OIL PRODUCTS LEADS TO INCREASED EXPORTS

Cairo AL-AHRAM in Arabic 22 Jul 84 p 9

[Article by 'Adil Ibrahim in the column "Business, Finance, Economics":  
"Quarter Century of Petroleum Refining: Surplus Petroleum Exported; Additional  
Storage Capacity Holds Two-Month Supply"]

[Text] The Petroleum Council began implementing new laws to increase petroleum refining capacity by 20 percent, in order to meet increased consumption of petroleum products, and to export surpluses as refined products rather than crude oil. Allowing for domestic demand, new storage capacities will permit 45- to 60-day reserves of light and heavy petroleum products.

The policy of the petroleum council thus calls for an increase in existing and new petroleum refining capacities, to 28.8 million tons during the next 3 years, to cover local needs, provide a reasonable margin of security, and keep pace with the latest technological developments in the world refining industry. Credit of 825 million pounds has been procured for constructing two new refineries in Asyut and Suez and expanding present operations. The Asyut refinery will have a 2 million ton capacity initially, to meet the petroleum product needs of Upper Egypt and eliminate the need to transport them from Lower Egypt. It will cost a total of around 120 million pounds, with an output valued at around 30 million pounds. The new Suez petroleum refinery will have a capacity of around 5.65 million tons of petroleum products and cost around 225 million pounds, with an annual return of around 1.1 billion pounds. A new filtration unit will be added to the Cairo refinery with a capacity of 3 million tons annually. Filtration unit number four will be added to the Alexandria refinery with the ability to process 2 million tons of crude oil and produce 80,000 tons of butane and 500,000 tons of naphtha per day from natural gas. A repair facility will be added to the high-octane gasoline production annex, with a capacity of around 15,000 barrels per day, at the Suez petroleum processing plant.

The policy is aimed at providing us with six refining areas, Suez, Alexandria, Cairo, Tanta, Sinai, and Asyut. Thirty years ago all refining operations were centralized in the Suez area. Then in the mid-fifties the Alexandria region had 5 percent of the total refining capability, and in the following decade this figure increased to 20 percent, when refineries were built in the coastal areas near the oil fields. After the 1967 war our dependence on Alexandria's

production capacity increased to 75 percent because of the destruction that befell the Suez area. The Petroleum Council then undertook to build refineries in Cairo and Lower Egypt, building a refinery in Cairo and transporting the equipment and materials in Suez to Tanta. After the October 1973 war continued operations for the Suez refinery were assured, and it subsequently resumed operations. After the opening in recent months of the Abu Rudays refinery to the south of Sinai, with an annual capacity of 2 million tons, we now have five refining areas, namely Alexandria, producing 38 percent, Suez at 28 percent, Cairo at 27 percent, Tanta at 5 percent, and Sinai at 2 percent.

With the increased consumption of petroleum products in Upper Egypt, and after the Asyut refinery goes into operation, we will have six refineries, Alexandria, at 32 percent, Suez at 30 percent, Cairo at 20 percent, Asyut at 12 percent, Tanta at 3 percent and Sinai at 3 percent.

Future policy will be aimed at employing world technological developments for the treatment of crude oil and petroleum by-products relying on available local resources.

9310

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IMPORTED CUSTOMER GOODS HARM MONETARY SITUATION

Cairo AL-AHRAM AL-IQTISADI in Arabic No 806, 25 Jun 84 pp 40-41

[Article by Nabil Sabbagh: "Financial Market: Ban on Imported Consumer Goods from Free Zone A Step to Correct Monetary Course"]

[Text] I have not yet looked at the executorial by-laws of the new importation law, but if what Mr 'Izzat Ghaydan, president of the Federation of Chambers of Commerce, said, and what the press has published, that the by-laws under study stipulate a ban on importing consumer goods from the free zones--excluding foodstuffs--on grounds that importation from free zones is tantamount to importing from abroad without a license, something that must not be financed by the Egyptian pound, and that used goods importation must be done by permit, I say if this is true, then we have taken the first step on the road to correcting the monetary course in Egypt.

Effectiveness of Recent Monetary Measures

Recent monetary measures tightening the grip on money dealers and foreign exchange dealers and raising the promotional exchange rates for remittances from Egyptians working abroad or owners of foreign currency from 82 to 112 piasters, as well as permitting importation via the special bank complex to finance imports at a rate of 117 piasters, these measures did not yield the desired result, as attested to by the fact that many importation applications, including the importation of foodstuffs, raw materials, production requirements and spare parts, do not find in these new foreign currency bank accounts an adequate monetary cover to cover the opening of letters or credit at this new rate of 117 piasters for the [U.S.] dollar. Therefore, importers are obliged to resort to banks to arrange for the balance or the total of the financial importation needs through margin markets, or importation without money transfer or payment of the current free market price of 121/122 piasters.

The truth is that the adopted measures have ostensibly resulted in a drop in the free market rate of exchange from 127 piasters for dollar remittances to 121-122 piasters. However, we must not tie this drop to previous measures because it is a seasonal one largely attributable to the return of teachers and workers from Arab countries and some expatriates

to vacation in Egypt. It goes without saying that a situation such as this will be followed by a higher than usual money supply. Were it not for the pilgrimage rituals and the demand by pilgrims, the currency rate of exchange would have been lower, as proven by past experience. Last year, the market exchange rate for the dollar, which was in the neighborhood of 108 piasters, dropped during this period to about 100-102 piasters.

Therefore, recent measures concerning the currency rate of exchange and the tight grip against exchange and currency dealers gave the market the kind of stability, but, in our opinion, did not yield the desired result because there are marginal factors that should have been taken into account and dealt with at the same time. Some of these factors are:

First, the rate of exchange of 112 piasters set for the dollar was not a realistic one consistent with or close to the local free market current rate of exchange, a rate accepted by importers.

Second, as this new rate was set, loopholes and marginal employment of foreign currency were exerting pressures on the exchange market and swallowing up the major share of these monetary assets. These loopholes include the following:

- Many commodities produced locally were still being sold on a priority basis for those who pay in foreign currency.

- Free markets within the country are wide open to those who pay in foreign currency, as though the Egyptian pound is the currency of another country.

- Most international agencies and investment companies pay their national and foreign resident workers in foreign currencies. This, in our opinion, is in violation of the country's laws that deem the Egyptian pound, not the dollar or sterling, the official currency.

- Many of the shares issued by new companies are valued in dollars, while subscription in dollar shares must be restricted to foreigners or Egyptians working abroad and not those who reside in the country.

- Permission for residents to open current and deposit accounts in dollars and to finance such accounts locally to benefit from the truly high interest rates. We support the possession of foreign currency, but with the proviso that the returns be financed from abroad and not from the local market.

- As for the largest drain of foreign currency circulating in the local market, the free zones draw the lion's share of it to finance the importation of luxury and durable goods and even old and used clothes, as though the country is in want of fabrics and ready-to-wear clothes. All we need is these tatters coming to us from abroad which foreigners dispose of by dumping them in the garbage for us to buy with hard currency.

All these loopholes that drain currency have remained wide open while free currency balances remained restricted to what citizens working abroad sell to banks as a national commitment and to spending by tourists who exchange their money for Egyptian pounds through the banks. All these are very meager resources because the new rate set by the government is 112 piasters, which is still 10 percent to 12 percent lower than the free market which is still thriving because it finances imports without money transfers.

#### Adjusting the Rate of Exchange

There is a consensus that the new rate of exchange set on the basis of 112 piasters to the dollar needs to be adjusted and made more flexible so that it will not remain fixed, as is the case at present, but be able to move upward if the scale of currency demand remains preponderant and what is available at the new promotional rate does not draw the citizenry to relinquish its foreign currency.

However, even the adjustment of the rate in accordance with supply and demand will not be an effective measure unless marginal measures are also adopted at the same time to check the drain on foreign currency via provocative uses at a time when our currency resources are dwindling.

The most significant and dangerous loophole for attrition is importation via the free zones. Employees in these zones are ready to pay any price to get the largest amount of foreign currency because they can import anything without restraints and without paying taxes or custom fees, thus bringing in goods at a lower price and a higher profit than through official importation, especially since they depend on an army of thugs and suitcase merchants to market their goods. These thugs and merchants have found in these free zones all the goods they want to deal in while full of hope that they can escape customs; goods that must not be dumped in the local market because they are not basic commodities and they compete with Egyptian production since they are sold at prices lower than the actual price or the price of similar goods imported through official channels.

This, in our opinion, is the loophole that swallows up the largest portion of the free market yields. It is also the one behind the higher dollar rate of exchange in the free market. If we close this loophole, a portion of the free market yields "will not find a demand." Consequently, demand will be less, so it will be forced to turn to banks for the financing of the importation system that is based on currency exchange, a system we have long called for.

When this operation is regulated, who knows, the current exchange rate of 112 piasters for buying and 117 piasters for selling may become realistic because the regulation of import via the free zones and the setting of guidelines for importing foodstuffs, raw materials and production requirements will be the prime active factor in regulating this market and correcting its course.



From Here We Begin

Now, after we have raised the rate of exchange to 112 and 117 piasters for the dollar, the next required step is the regulation of importation via the free zones by means of strict guidelines. Besides, it must be subject to import regulation measures and tax and custom fee collection at the source. Such measures will put an end to the foreign currency drain and restore to the Egyptian pound its actual value because its current rate does not at all reflect its buying power or true value.

12502

CSO: 4504/323

EGYPT'S OIL CARD IN TABA NEGOTIATIONS

Cairo AL-AHRAR in Arabic 25 Jun 84 p 8

[Article by 'Amr Kamal Hammudah: "Winning Egyptian Card in Taba Negotiations"]

[Text] If we recall former foreign minister Moshe Dayan's and energy minister Yitzhag Moda' insistence, during the Israeli-Egyptian peace treaty negotiations, on obtaining about 2 million tons of Egyptian oil as one of the conditions for peace between the two countries, other reasons and strategic motives reigned over this stance of the Israeli negotiator.

1-The rapid fall of the shah in Iran and the danger threatening Israel because of its dependence on Iranian oil in compensation for the Arab boycott which made it difficult for it to get oil from nearby Arab Gulf sources, thus forcing it to pay a premium of up to \$4 for each barrel it got on the international market.

2-The short distance between the Gulf of Suez and the Port of Elat. The low cost of transportation for this distance cannot be compared to any standard for buying oil from any other source.

3-During and after the treaty negotiations, Israel was considering the escalation of the Lebanese civil war and the need to secure its fuel needs in order to sustain the invasion with its customary efficiency.

Israel had great security, economic and political motives for obtaining 2 million tons from Egypt annually. Nevertheless, it tried to get a special price lower than the international price available on the spot market, but the Egyptian side completely refused and insisted that the sale be under the same terms and prices the Egyptian General Petroleum Authority used in its dealing with all its other agents and which are revised in November of each year.

The refineries in Haifa were accustomed to using Egyptian oil and it is not technically easy to switch quickly to other crude oils if the crudes being used are not possible to obtain. Then came the recent events in the Arab Gulf to upset the balance to a great extent.

As of this past 20 May, Israel has found itself in a very tight situation following the recent strikes against the oil tankers and the blockade of the Iranian Kharj Island. Add to that the movements of the fleets of major powers such as France, the U.S. and Great Britain towards the Straits of Hormuz Keys and the Indian Ocean area to safeguard the interests of the industrial countries.

This charged situation brought out some possibilities:

- 1-The possibility of closing the Straits of Hormuz to international navigation at any moment.
- 2-The possibility of higher oil prices.
- 3-The possibility of military operations being undertaken in the Arab Gulf area.

This situation has direct and vital repercussions on Israeli security:

1-Higher oil prices have a destructive effect on the Israeli economy. They lead to higher inflation and higher prices for Israeli exportable goods, which in turn leads to lower demand, thus upsetting the political and economic situation at a stormy time close to the date of the parliamentary elections next July.

2-Raising the level of alertness in the Israeli army due to possible complications in the area and an increased desire by several sides to use the armed forces to settle the situation between Iran and Iraq. Consequently, Israel must be ready under such disquieting circumstances. A higher degree of alertness means a financial loss all the way.

3-The necessity to maintain good and friendly relations with the Egyptian government in these times because it is the only secure source of oil for Israel.

This dangerous and uneasy situation reflected on the thinking of the ruling elite. It is expected that Israel will ask for the highest possible amount from the Egyptian General Petroleum Authority during the next 3 months. Israel has started contracting with the largest possible group of authority agents to buy their shares. So, the economic and strategic situation is not in Israel's favor.

The Egyptian government or the Egyptian Foreign Ministry holds a very valuable "negotiating card." Egypt has the right to start serious negotiations right now to regain Taba and put an end to the fluid situation in exchange for a continuous flow of oil to Elat, or else the Egyptian government, represented in the oil authority, can place obstacles to prevent it from easily obtaining what was agreed upon.

There are several ways and means of pressure and Egypt has an important card to which we call attention because it means much to Israel's life. Israel must return Taba because territory did not give it security. Recent events in the area prove that control over territory is not the only road to peace. Peace comprises many different aspects which have a different consideration.

12502

CSO: 4504/323

## EGYPT

### BRIEFS

**GDR AID FOR ELECTRICAL TRANSFORMERS**--The German Democratic Republic Government has agreed to provide 68 million pounds in facilitated loans for the building of new power-stations, which include 20 66,000-volt capacity transformer stations to serve the regional electricity distribution networks and a 220,000-volt, high-voltage, transformer station in al-Mahmudiyah. That was announced by Eng Mahir Abazah, the minister of electricity and energy, who witnessed, the day before yesterday, the signing of an agreement with the German Democratic Republic for the manufacture of medium-voltage cables. [Text] [Cairo AL-AHRAM in Arabic 14 Jul 84 p 8] 12566

**GRANTS FOR ELECTRICITY PROJECTS**--It was decided that \$45.7 million in foreign grants be allocated for a number of sea water distillation projects on the north [Mediterranean] and the Red Sea coasts to provide drinking water to the population of these areas by using solar energy, for setting up collective zones for fishermen on these coasts and provide them with refrigerators to preserve fish, and for establishing the first center of its kind in Egypt and the Middle East for research on new and renewable energy to serve the area. That decision was announced by Eng Mahir Abazah, the minister of electricity and energy, who added that these projects will be executed within the next 3 years of the 5-year plan; they include projects for using integrated systems of the new and renewable energy of the wind and the sun in bringing up ground water and generating electricity on a 2,000-feddan area in the experimental farm in the al-'Uwayant district in Sinai. The projects also include using industrial solar heating for industrial purposes, especially in the textile, paper and food industries. The minister of Electricity said that his ministry's plan toward the Egyptian countryside aims at spreading small units to extract biogas from animal waste for lighting and heating purposes and at using small, limited capacity units to produce water by using windmills to exploit the water levels. [Text] [Cairo AL-AHRAM in Arabic 15 Jul 84 p 1] 12566

**PHOSPHATE EXPORTS TO FRANCE**--A delegation of mineralogists, headed by Mr Mahmud al-Sharif, the president of Misr Phosphate Company, arrived in Cairo from Paris after a tour of France during which a contract to export 100,000 tons of phosphate was signed. The head of the delegation said that the production lines in the company have been developed, through Egyptian expertise, to meet international specifications. Dr Muhammed al-Gharuri, the minister of industry, in a meeting headed by him and attended by

Eng Ibrahim Kamil, the president of the Mining Authority, discussed the production plan for the new year which began in the present month, and which includes the production of 150,000 tons of phosphate, along with a study to open new markets to export phosphate to Asia and Europe. [Text] [Cairo AL-AHRAM in Arabic 15 Jul 84 p 13] 12566

CSO: 4504/372

FATAH REBEL LEADER INTERVIEWED

West Berlin TAGESZEITUNG in German 22 Jun 84 p 7

[Interview with Samih Abu Kuway Qadri by Alia Ahmed]

[Text] Berlin (taz). Since members of Al Fatah, the largest of the organizations comprising the PLO, have rebelled against their leader Yasir 'Arafat more than a year ago, the PLO has split into three political groups. Today followers of 'Arafat within Al Fatah are opposed by two alliances of Palestinian organizations: the "Democratic Liberation Front" and the "National Liberation Front." The Democratic Liberation Front represents a merger of the two largest, barring Al Fatah, organizations--the People's Front of George Habash (PFLP) and the Democratic Front of Nayif Hawatimah (DFLP)--and of the small Palestinian Communist Party and the Palestine Liberation Front. The "National Liberation Front" includes the Fatah rebels led by Abu Musa; the pro-Syrian Al-Sa'iqah; and two small groups, the Popular Front General Command and the People's Struggle Front. Following previous interviews with 'Abdallah Franji, the PLO representative in Bonn, and Georges Habash (TAGESZEITUNG 21 and 28 May), a representative of the third group is presenting his views today. He is Samih Qadri, by training a lawyer, who was a founding member of Al Fatah and a member of its central committee for many years. Today he is one of the leaders of the Fatah rebellion.

[Question] What were the causes of the rebellion within Fatah?

[Answer] The history of our movement is the history of controversies within the Palestinian revolution caused in part by different assessments of imperialist plans and of the designation of roles in the Near East. The Palestinian revolution had its origin in the realization that the people themselves must take charge of their own struggle. After the defeat in the

1967 June War, hope that this struggle could be delegated to other Arab states had greatly diminished. In the last analysis only imperialist interests were served by the Arab liberation army as early as 1948, in that they asked many Palestinians to leave their homes "temporarily." Since 1967 there have been umpteen plans for the liberation of the Near East and some of our leaders have time and again allowed themselves to hope that issues "could be negotiated." These leaders fell into this trap because they separated U.S. plans for the regions from the existence of Israel and they also wanted to treat them separately--as if the United States would work against its own plans! Israel's existence is dependent on playing a role in furthering imperialist interests. The United States needs a geographic base and an aggressive advance guard which divides the Arab states and thereby prevents unified Arab resistance.

These false assessments led to controversies from the very beginning. Some people have always believed that our goals could also be attained by different means, without arms and through diplomacy. 'Arafat, for example, thought of the Palestinian presence as a trump card in negotiations. He virtually usurped the PLO infrastructure, preventing cooperation with progressive Lebanese forces. 'Arafat also deliberately bypassed Syria, a country threatened and also partially occupied by Israel, lest the Syrian government commit him to a policy of confrontation. The war in Lebanon further intensified the controversy over the basic issue: Armed conflict or willingness to negotiate. There was, of course, a method in this. Numerous political plans followed in the wake of war and massacres. First there was the Reagan plan, made public the day the PLO withdrew from Beirut; then there was the Fahd plan, presented 6 days later at the Arab summit conference in Fez; and finally, 2 weeks later, there was King Husayn's concept which envisaged a Palestinian-Jordanian federation. Arafat's preferences became clearer all the time. He began hectic diplomatic activity with King Husayn, the Egyptian Chief of State Mubarak, and the United States; he even met with avowed Zionists (Editor's comment: he means Uri Avneri, a member of the Israeli opposition). Broad opposition to this approach developed among Palestinians, even among rank-and-file fighters who felt betrayed by Arafat. Their evacuation from Beirut was not provisionary, as promised, but had been decided on as a negotiable item a long time ago.

[Question] What was the actual cause of the Fatah rebellion in May of last year?

[Answer] The timing and methods were forced on us. I, myself, barely escaped an attempt on my life on 2 Jan 83 while giving a speech in Ba'labakk in eastern Lebanon. We acted under the pressure of events, having been deprived of any opportunity to engage in democratic opposition. The Palestinian news agency Wafa has a document concerning a discussion between 'Arafat and Morocco's King Hasan who for a long time had been 'Arafat's intermediary with the United States. In the course of this meeting, on 15 Oct 82, it was made clear that the United States rejected a Palestinian state and favored the federation proposed by Jordan. This amounts to



giving up of our self-determination, the primary objective of our struggle. King Hasan explained to 'Arafat literally that the opposition would have to be eliminated first (Editor's comment: among the Palestinians). To achieve this end, King Hasan suggested a division of Fatah. Subsequently--after 51 of our best fighters in Lebanon had been replaced by 51 cowardly and clearly corrupt officers who, after Beirut, were supposed to initiate the withdrawal of our forces from the Biqa' plain--we could wait no longer. We had to oppose this with all means at our disposal since withdrawal from Lebanon had become a decisive national issue for our future. We tried to avoid military confrontations but, after the fifth armed attack by pro-Arafat forces, we felt impelled to strike back. I believe that everyone realized that Arafat was using armed confrontation as an instrument for defaming and eliminating the opposition. George Habash had warned me specifically that this would happen; however, the alternative was to abide by 'Arafat's decision to accept the plans of the United States.

[Question] The confrontation between 'Arafat followers and opponents in the northern Lebanese town of Tripoli in December made headlines in the international press. How do you see the events in Tripoli?

[Answer] The evidence proves conclusively that preparations for the battle had been made by 'Arafat a long time ago in Tunis. He had announced several times that there would be a bloodbath; he had bought a large quantity of arms; infiltrated foreign legionnaires; and constructed bunkers, subterranean passages and fortifications which were disproportionate to similar installations in southern Lebanon. And then he began his "purge" with the massacre of 18 fighters of the Palestinian organization Popular Front General Command and of 74 comrades of the Lebanese Communist Party. However, the hostilities as such have been exaggerated enormously. It was more a spectacle for the press; nevertheless, it made a disastrous impression on the assembled flock of journalists. 'Arafat's followers withdrew, more or less, without a fight. The only casualties, and the greatest destruction, occurred in Baddawi, a Palestinian camp near Tripoli, when Arafat withdrew and left the field to his fundamentalist allies from the town. After staging his withdrawal, which by Arafat's own admission took place under the protection of Egyptian and French forces and after clearing it with Tel Aviv--whereby Israel supported him with propaganda in his ridiculous pseudo attacks--world public opinion suddenly became uniformly friendly toward Palestinians as well as pro-Arafat while turning against us as unscrupulous murderers of our brothers.

[Question] Negotiations are supposed to continue over the weekend in Aden between Arafat followers and representatives of the "Democratic Liberation Front," in other words, the People's Front and the Democratic Front. You are not participating. What is your relationship to other Palestinian organizations?

[Answer] The PFLP and the DFLP are hesitant--although I am sure they will join us sooner or later--even though it is absolutely essential for the further development and proper functioning of PLO's institutions that a firm stand be taken at long last.

[Question] But the PFLP has been procrastinating about this decision for more than a year.

[Answer] That is true. George Habash knows better than almost anybody else that the controversies within the PLO must be resolved in favor of the Palestinian revolution. It was hoped that he in particular would take a more unequivocal stand. He condemned the hostilities in Tripoli as if they could have been avoided, even though he, himself, admitted that it was a trap laid by Arafat. He also took refuge behind the alleged inability of the masses and of his DFLP sister party to understand (editor's comment: the armed confrontation between Palestinians). The DFLP, on the other hand, can't make up its mind to deny Arafat the right to leadership once and for all. Therefore both are asking for more time to make a decision. The effort to gain time at any price must be criticized for two reasons: On the one hand the people's dependence on their revolution and its accomplishments is being improperly diverted to dependence on persons and symbols, true power is thereby extorted and prevented from being properly employed. This can be observed on the Palestinian, Arab, or international level. On the other hand, Arafat is thereby given a gift of time to continue his national acts of sabotage. Everything is being interpreted as though it were a gaffe. Hawatimeh requests that the Soviets refrain from commenting on Arafat's visit to Cairo "to prevent pushing him further into American hands;" Arafat's "Foreign Minister" Qaddumi, during his last visit to Syria, requests a meeting between President al-Asad and Arafat in Aden, to keep Arafat from further deviating from national policy. And all this happened after Arafat's visit to Cairo and all his other unambiguous actions! He met with Mubarak a second time in Guinea on the occasion of Sekou Toures' funeral; he sided with the pro-American Sudanese government of Numayri; he moved the PLO's main office to Cairo; he voiced his readiness to recognize Israel. All of this is apparently not enough, one remains flexible and ready to negotiate. Following Arafat's suggestion the "Democratic Liberation Front" in Aden decided to look on us as a second Fatah group. We reject this. Fatah is indivisible and our legitimacy is based on the Party's axioms.

[Question] How do you assess the situation in Lebanon following the military success of the opposition's militia in February?

[Answer] The future of Lebanon lies with the Lebanese. We do not want to restore the situation that existed prior to the invasion in which any Palestinian pseudo-functionary could put pressure on the population through corruption and the use of a lot of money. It is important to protect the people in the camps against further possible massacres. Here we agree with our Lebanese allies. Our other interest in Lebanon is to negate all of Israel's war objectives and we can be proud in this respect of the successes of our excellent cooperation with the Lebanese Liberation Front and with the Syrians. As a result of our successes in the Shuf Mountains and in the Jabal, where Israel's Lebanese surrogates tried to destroy us, we have forced Israel to retreat behind the Awali river line. The daily resistance in the

south, which we support with all means at our disposal, has improved in quality; it causes the occupation force a great deal of trouble and has developed into an important political force. Last but not least, the liberation of West Beirut from the Phalangists has frustrated all American plans and doomed them to failure.

The common struggle, properly directed and well coordinated, has had enormous successes. It represents the only way of solving the "Palestinian problem." There is no negotiable alternative which could resolve the contradiction between our existence and the existence of the armed Zionist entity. It is our task to create a structure which is able to carry the burden of our fight for liberation without further waste of energies and without generating controversy.

12628

CSO: 4620/53

KARMAL PARLEYS WITH PAKISTAN IN BID TO NEUTRALIZE MUJAHIDEEN

East Burnham ARABIA THE ISLAMIC WORLD REVIEW in English No 36 Aug 84 pp 26-27

[Text]

Pakistan's UN-sponsored talks with the usurper Karmal regime aim at a solution within the existing political set-up in Afghanistan: the Mujahideen meanwhile insist that only the jihad can preserve the Islamic character of their nation

The latest round of indirect talks on Afghanistan are due to take place at the UN's Geneva offices this month on the basis of a "package of understanding" between the usurper Karmal regime, Pakistan, and the United Nations.

The foreign ministers of Pakistan and Afghanistan will occupy separate rooms in the UN office. The UN Secretary General's representative for Afghanistan, Diego Cordovez, will shuttle between them. As in the past, Iran will keep itself informed about the progress in the talks with a non-participating representation.

The two previous rounds of talks reached an impasse over the Soviet refusal to make any commitment to the eventual withdrawal of their troops from Afghanistan. With the accession of Constantin Chernenko, Soviet Afghan policy has hardened: the Russians have launched a major offensive against the Panjshir valley and have intensified military operations elsewhere.

Since 1982, when the second round of talks was postponed, there has been little change in the attitude of the Kabul regime on this question. Babrak Karmal has re-emphasised that the presence of Soviet troops in Afghanistan is an issue for discussion between the Soviet Union and Afghanistan: the Soviet forces, Karmal says, came to Afghanistan at his request.

Karmal's main interest is to see the Mujahideen off the Afghan political scene. Moreover, he also wants the Muslim world to withdraw all political and material support from the guerrillas. For

these reasons Karmal insists on direct talks with Pakistan and Iran to reach a negotiated settlement in which the role of the Mujahideen is completely ignored. Karmal views the Afghan problem in the context of inter-governmental relations between Pakistan, Iran and Afghanistan. He has succeeded in persuading his neighbours to accept this position.

Many observers believe the notion that the UN can bring an early end to the Afghan jihad through a negotiated settlement between Pakistan, Iran and the Karmal regime stems from ignorance of the situation inside Afghanistan. The Geneva talks can, however, legitimise the Afghan regime's political status.

The Islamic Alliance of Afghan Mujahideen has said that no one has any right to take decisions on their political and ideological future. The Alliance believes that as long as Soviet troops are present in Afghanistan and the Karmal regime is in power the Afghan problem cannot be solved. The jihad, the Alliance insists, is the only means of driving the Russians out of the country and bringing down the Karmal regime.

The Zia government, on the other hand, justifies its participation in the talks by arguing that Pakistan's economy is suffering from the influx of almost four million Afghan refugees: it says that it cannot postpone a settlement of the refugee problem until the victory of the Mujahideen. Zia also feels that the presence of Afghan refugees in the country's border areas has provoked the Russian and Kabul forces to attack the muhajreen camps.

Can a piecemeal solution to the refugee problem be sought without taking into account the overall situation in Afghanistan? Afghan muhajreen did not come to Pakistan voluntarily: they were forced to leave their country. The Karmal regime will not accept them as long as they remain committed to the Islamic struggle. Moreover, if they are sent back to Afghanistan, they will have to live in a hostile environment where neither their religion nor their culture will be safe. Any piecemeal solution of the refugee problem will weaken the jihad and leave the majority of the Afghan people at the mercy of the communist regime.

The fact that Pakistan is involved in negotiations with the Karmal regime means that it wants a solution to the refugee problem within the context of the existing Afghan political set up. The jihad in Afghanistan did not begin because Pakistan or Iran willed it. It started because of the conviction of the Afghan Islamic parties that under the cir-

cumstances Islam could be defended only by taking arms against the Russians and their puppet regime. The Mujahideen believe that the jihad is the only means to maintain the Islamic character of the country.

At Geneva the Kabul regime will try to negotiate a settlement on its own terms with Pakistan and Iran who cannot represent the Mujahideen or muhajreen. Even if they agree to a settlement it will have little impact on the Mujahideen's determination to continue the jihad. Instead of sitting at a negotiating table with the Karmal regime, Pakistan and Iran should try to find ways of strengthening the Mujahideen.

Many observers believe that Pakistan's presence at Geneva legitimises communist power in Afghanistan. Success at Geneva can only mean an intensification of the Soviet threat to the Gulf states whose vulnerabilities have greatly increased because of the continuing Iran - Iraq war.

CSO: 4600/716

## MANEUVERING TOWARDS FINAL PUSH

East Burnham ARABIA THE ISLAMIC WORLD REVIEW in English No 36 Aug 84 pp 27-28

[Text] The Afghan mujahideen are clearly at a crucial point in the war against Soviet imperialism. A series of heavy Soviet offensives against strongholds of the Resistance show up some of the defects in organisation and the inferior weapons available to the mujahideen, whose courage, morale and self-confidence does not compensate for, in particular, a lack of discipline and training. What the jihad needs now, according to many military observers, is to expand and improve guerrilla training as rapidly as possible

Since the very beginning of the jihad against the communist regime in 1978, it has often been difficult to be sure of the exact details of guerrilla training. Much of it is done in special camps where visitors are not welcome, and these are scattered over much of the frontier region as well as inside Afghanistan. However, it is possible to piece together a realistic picture from your correspondent's own experience, interviews with Afghan commanders and mujahideen and also from clues in the press.

The importance of effective military training is increasingly recognised by ordinary young recruits, as well as by leaders of the Afghan parties. This has led to expanded training facilities in the past

year, though on a small scale. It is the better organised Islamic parties which have taken the lead in military training, and they still maintain this lead over the rival conservative, nationalist parties. So far, military training has been on too limited a scale to make a dramatic impact on guerrilla performance in Afghanistan as a whole. Yet particular areas stand out as examples of what might be achieved, given good training and effective guerrilla tactics of commanders - notably the Panjshir valley and the surrounding region, together with the Paghman area just north of Kabul.

The Panjshir valley has served until now as by far the most important centre for guerrilla training inside Afghanistan, with recruits from many parts of the north, such as Badakhshan and Mazar-i-Sharif and even as far west as Herat on the Iranian border. Thousands of Afghan mujahideen have passed through the Panjshir training camps. The effectiveness of this training has been seen in countless ambushes on the Salang highway between the capital and the border with the USSR and in raids on military posts and towns in the northern provinces.

The military genius who designed this highly relevant training course for the mujahideen, from strictly limited material resources, is Ahmed Shah Massoud, commander of Panjshir. Massoud is an ex-student of Kabul University, the son of an Afghan Army officer, and an early activist of the Jamiat-i-Islami party. He probably received basic military training in the early 1970s in Pakistan, when the Bhutto government was giving covert support to Afghan opponents of President Daoud's government.

The Panjshir mujahideen developed original tactics of guerrilla warfare and

training skills. Recruits are organised into small military units, taught the value of coordinated attacks and discipline, and shown how to exploit to the full their weapons and the terrain. The impression of a regular guerrilla army is reinforced by the smart appearance of the Tajik forces of the Panjshir, who wear Afghan Army uniforms, combat jackets, boots and berets (Pakuls). For communications in the area, mujahideen groups are trained to use radio sets, which often play a vital part in ambushes for coordinated attacks.

Even if access to the Panjshir central valley is denied to the mujahideen by the Soviet Army garrisons placed there this summer, these skills in training and warfare will certainly not be lost to the jihad. A likely indirect benefit from the Soviet attack on the Panjshir is the dispersion to various northern Afghan centres of these invaluable guerrilla training skills, by the formation of badly-needed regional schools under capable instructors from Panjshir. For more than a year contingency plans had been prepared for such a forced evacuation of the Panjshir.

Training on the other side of the border in Pakistan's two northern provinces is naturally organised on a different footing from the practice of internal fronts or parties. Usually situated close to the Afghan border in tribal Pushtun territory, training camps are run by the exiled parties. Instructors are often ex-Afghan Army officers, who have defected to the Resistance — as, indeed, is the case inside Afghanistan where training is carried on systematically. Officers from the rank of Bridman (Lieutenant), Turan (Captain) and Jagran (Major) and upwards are numerous in party organisations in Peshawar, as well as active in training camps. What is aimed at is really basic military training skills, rather than a course in guerrilla warfare tactics designed for this particular war as has evolved in Panjshir.

Both Jamiat-i-Islami of Burhanuddin Rabbani and Hizb-i-Islami of Gulbuddin Hekmatyar maintain a string of training camps for their mujahideen near Peshawar at Darra, Jamrud, Bajaur, Chitral, Miram Shah and to the west in Baluchistan. The largest of the Jamiat camps, at Darra, is said to have 700 men in training on seven-month courses. Afghan Army uniforms and boots are issued to volunteers, who are mostly aged 18 to 22, and Afghan instructors run the courses.

A great deal of misinformation has been

disseminated about the extent of foreign organisation of training camps in Pakistan. At its crudest, this takes the form of assertions from official media in Kabul and Moscow that all refugee camps in Pakistan are actually guerrilla camps, with relief aid for Afghan refugees commonly described by Radio Moscow as "weapons for Afghan bandits airlifted by PIA (Pakistan International Airlines)." The same sources often assert that what guerrilla training goes on is being imparted by foreign experts, Pakistanis, Americans, Chinese and Egyptians.

Such claims have an obvious use in propaganda, serving to bolster the Soviet justification for occupying Afghanistan — to "defend the Revolution against foreign plots." If foreign experts in guerrilla warfare were directing Afghan Resistance training, the standard of training would undoubtedly be much higher. Ex-Afghan Army officers may know about weapons instruction, but they have never been trained for guerrilla warfare. Really effective training is still comparatively rare for the mujahideen.

Some of the problems, as well as the achievements in spite of the odds, of the guerrilla training can be appreciated by looking at a particular training camp set up in mid-1983 for volunteers of NIFA (National Islamic Front of Afghanistan), led by Sayyid Ahmad Gailani. The camp lies close to the Afghan border in tribal territory, and 200 volunteers train there on three-month courses, instructed by a team of ex-officers of the Afghan Army. Although receiving only scanty resources from NIFA, the mood at the camp is one of eager desire to learn more about the art of warfare. Here there are no uniforms, only the everyday dress of Pushtun tribesmen. Lack of shoes, let alone boots, results in frequent sores and cut feet, due to the men running on hard ground in plastic sandals — the cheapest form of footwear available. As for food, the daily budget of 3 rupees per man is too low to be other than grim, and the poor nutrition restricts the physical exercise of volunteers.

In spite of these considerable drawbacks, the organisation of this camp is well adapted to its purpose. The camp commander is ex-Brigadier Safi, former chief of the elite Afghan commando corps under King Zahir Shah. He has done military training in the USSR on mountaineering and commando courses, and also served on detachment with the SAS (Special Air Services) in Britain. This

experience has helped in the creation of a professional training centre.

Volunteers are split up into small groups for instruction in the use and maintenance of heavy guns as well as rifles - with which many men are already familiar, having spent time in the war fronts inside Afghanistan. Until recently, it was a common assumption among Afghans that they knew everything there was to be known about weapons and war. Hard experience has taught them otherwise. Mortars, Dashaka 12.7mm or other heavy machine-guns and RPG-7 grenade-launchers are weapons which are used for training in all the camps.

Each of the few heavy weapons in the camp stands on a table facing the nearby rockface of a mountain, marked with numbers in white paint, which serves for target practice. Teamwork is the rule. Small groups of men, each with an assigned task, practise carrying the individual parts of a heavy machine-gun, making a rapid assembly of it, loading with ammunition and making ready to fire. After instruction in accurate mortar firing, volunteers are shown how to fire mor-

tars in the dark.

An obstacle course is tackled regularly by volunteers, helping build their confidence in their ability to perform difficult physical tasks. Another feature of the camp is basic instruction in the use of explosives. Plastic TNT is used and demonstrated, as well as "home-made" bombs - raw materials of nitrates, fuses and bottles and piping for filling with petrol to make hand-grenades are available. Self-sufficiency in bombs and grenades is considered vital for the internal struggle.

Most observers are agreed that there is more concern now for tactics within the Resistance in general. Smaller bands of guerrillas are being used, and big concentrations are avoided in daytime. Since 1980, wider knowledge of guerrilla tactics, together with the spread of bazookas and heavy machine-guns sent by foreign backers, have enabled the mujahideen to mount many sophisticated and highly successful "double" or coordinated ambushes. These are indications of how important to the Afghan struggle is guerrilla training on a wider scale.

CSO: 4600/716



REPORTAGE ON BANGLADESH BUDGET FOR 1984-1985

Text of Budget Speech

Dhaka THE BANGLADESH OBSERVER in English 29, 30 Jun 84

[29 Jun 84 pp 11-13]

[Text] Following is the text of Budget speech by Mr. M. Syeduzzaman, Principal Finance Secretary and Financial Adviser to President and Chief Martial Law Administrator.

It is a matter of great pride and privilege for me to be given the task of presenting the Budget of the Government of the People's Republic of Bangladesh for the financial year 1984-85. In so doing, I remain aware of the heavy responsibilities for preparation and presentation of the Budget and remain deeply conscious of my own limitations. Before I go to discuss the outcome of the current financial year and outlook for the year for 1984-85, I would like to take full advantage of this occasion to express, on behalf of the Government, deep regret and condolences for those who have been the victims of natural disasters and other violences during the year. These include political workers, industrial labour and workers, farmers, students, and Government servants in performance of their duties. I would like to express my deep sympathies for their near and dear ones. In particular, I would like to refer to the victims of the recent torrential rains and severe floods in certain parts of the country and massacre of innocent civilians in Chittagong Hill Tracts.

2. The year that we are leaving behind has been an eventful one in more than one sense. There was significant expansion in international exposure of the nation. Bangladesh played an active and meaningful role in international affairs during the year. This was achieved through active and effective participation in the activities of the United Nations system, the Organisation of the Islamic Conference, the non-aligned movement, the Commonwealth and the South Asian Regional Cooperation forum. The confidence reposed upon Bangladesh by the Islamic World was further enhanced with the impressive organisation of the 14th Islamic Conference of Foreign Ministers held in Dhaka last December. New areas of cooperation with friendly countries were explored and identified during the year. Fruitful visits were undertaken by the Hon'ble President to a number of Islamic countries and to the United States of America. The Queen of England, the King of Bhutan, Presidents of the United Arab Emirates, Zambia

and the Maldives, Prime Ministers of Canada and Thailand, visited Bangladesh during the past one year. These are indications of the important strides taken by Bangladesh in its foreign policy pursuits.

3. Within the country the nation saw active resumption of political activities as part of the programme of the Government for transition to a democratic political system. The political parties have been actively projecting their programmes and the Government had elaborate exchange of views with the political leaders of the country for delineating a road for transition to a democratic system.

4. During the year the Government laid the foundations of long-term changes in the field of administrative reorganization and development administration. 460 Upazilas and 64 Zilas now characterise the administrative map of the country. This has, in its wake, called for new steps in the matter of development planning, administrative decentralization and delegation of financial and accounting responsibilities. Despite teething troubles and inadequacy of facilities at the new command posts of the reorganized administrative system, no one can deny that a new direction has been charted for future public administration and development administration in Bangladesh

#### The Economy in 1983-84

5. From the point of view of economic changes, 1983-84, the year we are leaving behind, presented a mixed picture; but a significant departure from the difficult days of 1981-82 and 1982-83. This was as much due to determined efforts of the Government as due to changes in the external environment. International economic environment is looking up, the trade climate seems to be on the upswing, commodity prices have started to slowly recapture their prices—all with noticeable beneficial impact on our export earnings and economic relationship with friendly countries.

6. But coming towards the end of the year, the internal economic environment revealed some problem areas and mixed performance. The gross domestic product was projected to grow by 6% during the year. The anchor sheets of this target were production of foodgrains at a level 16.1 million tons and total imports at a level of \$2600 million. Taking into account the actuals and realisation of different programmes during the past 11 months of the year, it is now quite clear that these targets will not be reached. But for the late floods in Autumn '83, drought and early floods in recent weeks, there was a distinct possibility of total food production reaching a level of at least 16 million tons. The recent floods alone are estimated to have destroyed about 600,000 tons of foodgrains. Total food production in the country is now estimated to be no more than 15.5 million tons, compared with 15.1 million tons realised in 1983-84.

7. Food is the most important parameter in guaranteeing overall economic stability. No wonder that with production going below targets, prices moved up. Internal procurement target which was set at 700,000 tons will hardly exceed 250,000 tons due to prevailing high market prices compared to procurement prices. In order to ensure adequate food stocks arrangements had,

therefore, to be made for additional imports from friendly countries under aid as well as with our own cash foreign exchange resources and under deferred payment arrangements. At the same time as market prices of rice continued to remain high starting from January '84, an unusual phenomenon after the Aman harvest sale from Government stocks both under the ration system as well as under open market sales had to be stepped up. Whereas the original targets of food imports and distribution were 14 lac tons and 17 lac tons respectively, these figures may now reach 2.2 million and 2.1 million tons nearly. At the end of June 1984, total stock of foodgrains with the Government is expected to be almost 9 lac tons, compared to 630,000 tons at the end of June 1983.

8. The increase in price of foodgrains, particularly, rice, in the last few months had its sympathetic influence on the prices of other food items such as fruits and vegetables, spices, pulses, edible oil, fish, poultry, meat, etc. It may not be out of place to look for reasons for this increase. It originated from a combined impact of lower production, internal monetary developments as well as developments in the foreign trade sector. Exports during 1983-84 will reach a figure of \$825 million dollars exceeding the achievement of 1982-83 by over 20%. On the other hand non-food imports will be substantially below the target fixed for the year. The imbalance between availability of resource sources from export earnings and remittances and actual realisation of imports, resulted in a situation of excess money supply and demand.

Money supply which increased by nearly 28% in 1982-83, also a result of high growth in remittances and moderate growth in exports--but depressed import levels, is again expected to go up by almost 30% this year. On the basis of these parameters, the rate of inflation as measured by traditionally computed consumer price index is estimated to be about 13% on a point to point basis. But one should not overlook the fact that in the closing 3 months of the year cost of living index went up at an annual rate significantly higher than the conventionally measured cost of living index. Higher than average price for jute, sugarcane, cotton, tobacco and other agricultural products also stepped up purchasing power and demand for food items in the rural and urban areas. While significant expansion in agricultural credit increased the holding power of surplus farmers, composition of Government's development programme, particularly for infrastructures, also played its part in pumping purchasing power in the hands of wage earners. Because of unanticipated loss of production, pressure on prices was more than it would have been otherwise. The basic reasons have been inadequate production and supplies of agricultural products; disruption of communications at times and high cost of transportation also added to the pressure on prices. Government took all measures to increase supply of foodgrains, sugar, spices and edible oil. It deserves to be mentioned further that the rate of increase in prices of non-food items has been relatively moderate. In a subsistence economy like that of Bangladesh, the major part of additional money income in the hands of people go for purchase of food items. It is, therefore, imperative to increase supply of food items and other consumer goods through higher domestic production as well as imports. I shall dwell on this subject at greater length a little later.

9. Estimates at this time indicate that the growth rate of GDP may be only about 4.5% this year as against the original target of 6% and the more recent

estimates of 5.3% before the flood damages. The Agriculture sector as a whole is expected to grow by no more than 4% compared to 4.7% in the previous year. The manufacturing sector is expected to record a growth rate of 5.7% compared to only 0.3% in 1982-83. But for the disruption in power supply from the first quarter of 1984, industrial production would improve further. The experience of the last few months has highlighted the importance of coordinated and rapid development of power and gas resources along with facilities for transmission and distribution.

10. While in the implementation of public sector development programme a number of administrative and financial reform measures were undertaken during the year, Government continued to provide expanded facilities to the private sector as enunciated in the New Industrial Policy. The private sector has responded satisfactorily to the package of incentives and facilities offered by the Government. This was reflected in higher sanctioning of industrial projects and investments. This year Government also decided to open up insurance business, both General and Life, to the private sector. A new investment company in joint collaboration with Saudi Arabia is being set up. All formalities regarding this company on both sides have been completed. It is expected to start operation soon. Government has also decided in principle to promote Investment Companies in the private sector including on joint venture basis.

Realising the importance of Stock Exchange as an effective catalytic agent for ensuring enlargement in private sector participation, several measures were taken during the year for strengthening the Dhaka Stock Exchange. The measures are aimed at increasing the supply of stocks and shares in the Stock Exchange as well as ensuring close monitoring and regulation of the activities of the Exchange.

11. One major concern of the Government in the industrial sector is the weakened position of the industrial financing institutions namely BSB and BSRS. The problem is basically financial, but administrative weaknesses also loom large. A special recovery drive has been initiated by the two institutions jointly, with incentives for early clearance of overdues. When the financial and administrative problems surfaced in the beginning of 1982-83, Government agreed with the concerned donors to undertake a thorough review of their operations. A group of expatriate consultants along with local consultants are already working in these two institutions on the basis of pre-determined terms of reference. But the fact remains that 1983-84 has been a poor year inasmuch as the financial base of BSB and BSRS has been seriously eroded and their capacity for financing and sanction has been reduced. We hope the above-mentioned study will indicate measures for strengthening their capacities for better appraisal and analysis of investment proposals and possible reorganization. But unless the borrowers develop the habit of repaying their dues, it will be difficult for the institutions to keep up the level of their support. In order to bring defaulters to book, three additional Courts have been set up this month in Dhaka, Chittagong and Khulna, which will primarily deal with cases regarding claims of these financial institutions as well as other commercial banks. The intention of the Government is to restructure the financing institutions and to introduce discipline in the matter of industrial sanction,

appraisal of projects and use of resources--both foreign exchange and local currency; because expansion of facilities for the private sector and continued reliance on private initiative for expanding the productive base of the economy remains a major objective of Government's economic and industrial policy. It is in this context that the industrial sanctioning procedures have been simplified and sanctioning powers at all levels and or the financing institutions including commercial banks have been enhanced. But there is no substitute for financial discipline and there will be no compromise on obligation for repayment of liabilities. Only on this basis a sound base for industrial growth can develop and genuine entrepreneurs helped. In genuine cases, the institutions will consider proposals for rescheduling of liabilities, but the defaulting borrowers have to demonstrate their willingness to cooperate with the institutions.

12. Balance of payment outcome for the year will also be noticeably different from the original projection. Export earnings is expected to reach \$825 million. The increase will come mostly from improved prices and partly from increase in volume. Terms of trade, expected to improve by about 20% this year, will still be 22% below the level of 79-80. At this stage estimates are that total merchandise import will amount to \$2467 million including purchase of three wide-bodies aircrafts. Excluding the aircrafts and food imports, other imports during the year may reach a level of \$1979. This compares with the revised target \$2180 for such imports. One important development in the field of balance of payments has been a change in the direction of flow of remittances. In 1982-83 it reached a level of \$625 million compared to only \$25 million in 1981-82. This year the estimate was \$630 million against which actual realisation may not exceed \$595 million.

Total commitment of foreign aid in 1983-84 is now estimated at about \$1800 million and total disbursement during the year is now estimated at \$1450 million compared with \$1345 million in 1982-83. Taking into account repayment of short-term borrowings and servicing and payment of long term loans, foreign exchange reserves are estimated to be over \$500 million at the end of June '84, compared to about \$350 million on 3-6-1983. This will be an all time high at the end of any financial year.

13. In recent years there has been a slow down of implementation of projects, with consequent decline in the level of disbursement in respect of aided projects. While the donors have expressed concerns about this, it has also delayed the benefit of public sector investment programmes. The measures taken last year in respect of preparation of the ADP, processing of projects and release of development funds were moves in the right direction, but needed further strengthening this year. These were in the areas of delegation of financial and administrative powers. The Ministry of Finance have now delegated substantial financial powers to the administrative Ministries and to the Project Directors--in respect of non-development and development expenditure. Except for a very limited number of issues other Ministries do not have to come to the Ministry of Finance for sanction--if budget provision has been made.

14. Apart from institutional reforms for improving management and implementation of development projects, two other key objectives of the budget and

programme for 1983-84 were (a) Improvement in financial management, (b) Emphasis on domestic resource mobilization as a major medium term objective. The policy reforms initiated and adopted this year in this field were designed keeping in view their medium and long terms beneficial impacts.

The move towards mobilization of domestic resources was reflected in the fiscal measures, but greater attention was concentrated on improving the financial management of the public sector corporations and enterprises which account for a very large percentage of fixed capital assets in the industries sector. It is a matter of satisfaction that the public sector agencies as a group showed improvement in their financial position by significantly reducing their total borrowing from the banking system over the previous year. In fact their negative position was reversed during the year.

15. In order to mop up excess liquidity which posed a threat to the price level, Government introduced a Special Treasury Bond with 2-Year maturity and re-introduced the 5-Year Savings Bond, both with attractive rates of interests. Response to the Special Treasury Bond was quite satisfactory and by the end of the year total sale would be exceeding Tk. 180 cro. This helped the Government partly to reduce the excess liquidity and also to raise additional resources for financing the Annual Development Programme.

16. In the face of gradual erosion in the real wages and income of public servants and industrial workers, Govt. decided to raise the emoluments of these employees by increasing dearness allowance and providing extra fringe benefits like higher house rent allowance and Festival allowance. While this was an interim measure, Govt. also felt the need for putting the system of determination of wages, salaries and other compensation of public sector employees and industrial workers on a rational footing-linked with efficiency and productivity. An Industrial Worker's Wages and Productivity Commission and a National Pay Commission were, therefore, set up with wide terms of reference. It is expected that these two Commissions will recommend measures to determine the compensation package of public sector employees and industrial workers on a rational and scientific basis.

17. During the year Uttara and Pubali Banks were converted into public limited companies and the share of Uttara Bank have already been sold to the former shareholders and other applicants. It is expected that a new Board of Directors will be elected by the shareholders and transfer of management would take place soon. The Pubali Bank has also placed its share for sales in the market.

18. In 1983-84 the Population Control Programme made substantial progress. During the year a National Council of Population Control was set up with the President as its head, and an Executive Committee of the Council with the concerned Minister as its head. At the field level Coordinating Committees have been set up in Upazilas, Unions and Villages for closely and regularly monitoring and evaluating the activities of Government and non-Government organisations in the field of health and family planning. Similarly Coordinating Committees have also been set up at the level of municipalities and District administration. These committees meet every month to review the local

programmes. During the year important demographic targets were reviewed such as NRR and CPS. Realization of targets in the use of various contraceptives lead us to believe that the 2-year "crash programme" launched in 1982-83 will be fulfilled. By the end of 1983-84, the PGE may reach a figure of 2.44%.

19. In the budget announcement for 1983-84 mention was made about Departmentalisation of Accounts and separation of Audit from Accounts. According to this decision the administrative ministries/ divisions are to take the responsibility for maintenance of their own accounts and for control of expenditure according to budget provision. The objective was to simplify the method of financial transactions and to instil a greater sense of responsibility in the spending agencies. This new system was introduced in the Ministries of Agriculture and Education with effect from 1-7-1984 and in the Ministry of Food with effect from 1-1-1984. In addition, during the year the Land Administration and Land Reforms Ministry, Roads, Highways and Road Transport Division, Internal Resources division and the PT&T Division have also been brought under the scheme of Departmentalisation. The possibility of bringing some more ministries under this system in the next financial year is under active consideration. The objective is to bring all the Ministries/Divisions under this system in a phased manner. It is expected that Departmentalization of Accounts and smooth implementation of the new system will ensure a dynamic and efficient financial administration.

20. A major step taken by the Government towards bringing basic changes in the rural social structure was the setting up of a Land Reforms Committee which submitted its report in the beginning of this year.

In August, 1983, a high powered National Implementation Committee for Land Reforms, was set up to implement the measures recommended by the Land Reforms Committee which have been approved by the Government.

The Implementation Committee is making earnest efforts to translate the recommendations of the Land Reforms Committee into active forces. The Implementation Committee, has already piloted the Land Reforms Ordinance, 1984 and Agricultural Labour (Minimum Wages) Ordinance, 1983 which have been approved by the Council of Ministers. The Land Reforms Rules, 1984 have also been prepared and are currently under examination.

21. In the Development Programme for 1983-84, the Upazilas received high priority to make the local Government a going concern as early as possible. To accelerate the installation of Upazila administration Tk. 172 crore was spent on development of infrastructure facilities and another Tk. 172 crore were given to the Upazila Parishads as grant for development activities. A part of the development grant may remain unutilized at the end of the year, but the funds have been made available in full on a non-lapsable basis. To ensure that the development funds are appropriately utilized by the Upazila Parishads, Planning Commission issued suitable guidelines in July, 1983. The principal objectives of these guidelines is to ensure that the development investments of the Upazila Parishads are in conformity with the national development objectives, programmes and priorities. Upazila Parishads are expected to take and are taking an increased responsibility for local level

planning and development. The criteria for development expenditure by the Upazila Parishads will be reviewed in the light of current year's experience.

#### Revised Budget--1983-84

22. The Budget for 1983-84 estimated revenue receipts at Tk. 3397 crore. Mainly due to reduction in imports and consequent lower receipts of import duties and sales tax, total revenue receipts are now projected at Tk. 3033 crore. Though the total reduction on account of customs duties and sales tax would amount to Tk. 419 crore, there would be an improvement of nearly Tk. 75 crore under excise duties and income tax. Land Development tax continued to lag behind. Against the projection of Tk. 60 crore the receipts are unlikely to exceed Tk. 33 crore. Administrative delays in putting the new system of land development tax in place is responsible for this. In the Revised Budget tax revenues showed a decline of Tk. 367 crore. Non-tax revenue was done better. Revised estimates of receipts are Tk. 593 crore compared to about Tk. 590 crore in the original budget, in spite of a decline of Tk. 23 crore in receipts from the Railways, and non-materialisation of water rate during the year. On the whole total shortfall in revenue receipts will be Tk. 364 crore.

Revenue expenditure was projected at Tk. 2414 crore including a provision of Tk. 197 crore under "Unexpected Expenditure". The revised estimates of revenue expenditure during the year are Tk. 2503 crore showing an increase of nearly Tk. 90 crore. A large part of this, however, is notional, because of valuation of certain relief goods in monetary terms. The details of increase in expenditure have been shown in the document entitled "Supplementary Budget". The major items of expenditure from the lump provision for unexpected expenditure related to increase in house rent support to Government employees which was announced in the Budget, extension of benefits to the teachers of non-government educational institutions, revenue expenditure on completed development schemes, and preparation for elections at several levels. Shortfall in revenue receipts and increase in revenue expenditure reduced the revenue surplus from Tk. 983 crore to only Tk. 530 crore in the revised budget.

The Food Budget also changed substantially during the year. The main reasons are shortfall in domestic procurement, higher imports from own resources and larger sales through the rationing system and open market operations. The original budget indicated a net total outlay of Tk. 193 crore on food budget from Government revenues including a subsidy of Tk. 129 crore. In the Revised Budget, while the cash subsidy will go up to Tk. 160 crore, on account of high distribution, offtake and sales, and lower domestic procurement, there will be net surplus of Tk. 23 crore. This is also due to procurement of additional foodgrains from external sources on deferred payment basis rather than cash outlay. Moreover, bank borrowings for increasing stocks, which was estimated at Tk. 136 crore in the Budget, was not resorted to because of deferred payment arrangements.

23. Total receipts from foreign assistance during the year also changed from the original Budget Estimates. Food aid, commodity aid and project assistance



received under loans and grants were estimated at Tk. 3415 crore, which will go up to Tk. 3483 crore in the Revised Budget. While there will be improvement on account of food aid and project aid, there will be appreciable shortfall in the disbursement of Commodity aid. The shortfall in Commodity aid is directly related to slow growth of imports during the year. Total amount available for financing the Annual Development Programme according to the original Budget was placed at Tk. 2816 crore, consisting of Tk. 1522 crore under Project aid, Tk. 1116 crore as counterpart funds from non-project aid and Tk. 177 crore from sale of foodgrains under PL-480 Title II & III. In the revised Budget the total amount is estimated to come down to Tk. 2705 crore--Tk. 1652 crore under Project aid, Tk. 950 crore under Commodity aid and Tk. 103 crore from sale of food assistance under Title II & III.

24. In the Revised Budget, domestic resources available for financing the ADP will amount to Tk. 727 crore--revenue surplus of Tk. 530 crore, net capital receipts of Tk. 58 crore, surplus of the food budget amounting to Tk. 33 crore, about Tk. 78 crore coming from internal resources of some development agencies, and Tk. 28 crore to be raised through the sale of debenture by some public sector corporations. Together with available foreign aid, real resources for the ADP will be Tk. 3433 crore compared to Tk. 3484 crore envisaged to the original Budget. However, the size of the revised ADP for 1983-84 has been placed at Tk. 3585 crore which indicates a shortfall of resources to the extent of Tk. 152 crore nearly. This shortfall will be financed partly from unspent balance of Upazila funds in the PL-accounts with the treasuries and the balance through implementation shortfall. If this shortfall is less than Tk. 90 crore, there will be borrowings from the Central Bank or deficit financing. However, on the basis of past experiences, and the progress of development expenditure during the first 10 months, assumptions regarding implementation shortfall seems to be relatively safe. It needs to be pointed out that the actual realisation of the ADP will ultimately depend on total disbursement of Project aid. Even if there is some borrowing from the central bank on account of shortfall in generation of counterpart funds and last minute shortfall in revenue collection, credit expansion, if any, for the Government and the public sector as a whole, will be contained within the overall credit programme of the year. Actual expenditure under the ADP in 1982-83 was a little over Tk. 3000 crore. Therefore, on the basis of real resources available, the ADP for 1983-84 is expected to exceed the previous year's achievement in real terms.

#### Backdrop of the 1984-85 Budget

25. Before starting discussions on the Budget for 1984-85 it will be worthwhile to take a pause and look back for a moment. In the year that we are leaving behind the economy of Bangladesh is now expected to grow by 4.5%: last year it was 3.7% and the year before 0.9%. Exports are expected to reach a level \$825 million this year, compared to \$680 million in '82-83 and \$625 million in '81-82. Foodgrain production during '83-84, even after the flood damages is expected to reach level of 15.5 million tons, compared to 15.1 million tons last year and 14.4 million tons the year before (81-82). Aid disbursements reached a low level of \$1237 million in '81-82, increased to \$1345 million in '82-83, and this year will hopefully reach a level \$1450

million. It can, therefore, be said that the economy has come out of recession and is now poised for a period of growth. This is partly because of favourable changes in the external environment, but mostly due to the determined policy changes made by the Government. But for the latest natural disasters, growth rate would have easily exceeded 5%.

26. The Budget for 1984-85 and policy measures for the year have to provide a meaningful push to the process so that the economy can be taken to a higher level of growth next year. All policy prescriptions and packages must be in the context of the following objectives:

- (a) Increase in production in the agriculture and the industrial sectors.
- (b) Increase in supplies through higher production and imports.
- (c) Stabilization of the price level through greater supplies and appropriate fiscal and monetary measures.
- (d) Rapid expansion of domestic energy production and supply.
- (e) Rapid expansion of investment and employment opportunities.
- (f) Continued incentives for growth of exports.
- (g) Sustaining and expanding the momentum of the population control programme.

1984-85 will be a year when the short term and the medium term objectives in the economic field will, in fact, coincide.

27. It will be unwise and unrealistic not to keep in view the possible adverse elements which the economy will have to reckon within its efforts during 84-85 and take precautionary measures to mitigate their adverse impacts. I would list them as follows:

- (i) Vulnerability of the agriculture sector to weather conditions which have been demonstrated at great cost in the closing months of this year.
- (ii) The tight programme for implementation of gas and power sector projects which will be vital for ensuring industrial production.
- (iii) The potential threat of inflationary forces being unleashed due to high monetary expansion in the past 2 years.
- (iv) The narrow base of export production for generation of export surplus in the agriculture and industrial sectors.
- (v) Continued depletion of development resources due to preemption of revenues through inequitable and unproductive subsidies.

(vi) The uncertain international political situation, particularly the fratricidal war in the Middle East which could have destabilising impact on the economies of many low income and least developed countries.

(vii) Heavy default on bank loans in the industrial sector which can jeopardise the environment and capacity of the financing institutions for new investments.

(viii) Growing debt service liabilities.

(ix) Possibility of levelling off of remittances by our migrant workers.

28. Fortunately there is a favourable combination of circumstances and factors which can be and should be put to optimum use and exploitation in order to achieve the objectives mentioned above and to overcome the adverse factors. If I may recount the favourable factors I would list them as follows:

(i) An all time high foreign exchange reserves.

(ii) A satisfactory pipe line of commodity aid.

(iii) A large project pipe line which can be drawn upon by the on-going development projects.

(iv) Framework of a liberal import policy is in position.

(v) Adequate supply of agricultural inputs in the country, increased domestic capacity for producing such inputs, and availability of other resources to meet higher levels of demand. An agricultural credit system capable of larger deliveries.

(vi) Potential demand from money income to absorb higher production and imports.

(vii) Advanced stage of implementation of a large number of key projects in the gas and power sectors, and in the infrastructure sector in general.

(viii) An improved and decentralised system of project processing, fund release and project implementation.

(ix) A reorganised and decentralised development administration in position.

(x) Indications of continued support by the donors in our development efforts.

(xi) A favourable international trade climate and improvement in our terms of trade.

(xii) A vigorous programme for family planning and population control which has been established on the basis of a 2-Year Crash Programme.

(xiii) A growing base for some of the non-traditional exports.

29. In preparing the Budget for 84-85 we have to come face to face with certain realities. Economic growth depends on investment and investment needs resources. Setting higher investment objective, therefore, must be matched with higher mobilization of resources. At the sametime the demands for recurrent and non-development expenditure is increasing. Whether economic services or health services, it is not possible to shut down administrative or law and order machinery for temporary periods, it is not possible to default on debt service obligations of the Govt. at home or abroad. Even this year, 83-84, the Annual Development Programme will be financed nearly 80% from foreign assistance. Assertion for self reliance, therefore, has to be matched with mobilization of larger domestic resources. Higher domestic resources can come from higher revenue collection through taxation, higher income from the public sector corporations and economic enterprises, and reduction of avoidable expenditure under development as well as non-development budget--including large subsidies. Whether on a short term, medium term or long term basis, there is, therefore, no escape from making greater efforts in this direction. A fast growing area must be the public sector organisation and enterprises where Government have invested substantial domestic and borrowed foreign resources. In FY 82-83 an amount of Tk. 500 crore nearly was converted into equity for these organisations. In 83-84 the amount was of the order of Tk. 400 crore.

Therefore, efficiency and productivity of these organisations must improve and they must have the freedom to operate on commercial considerations. They must reflect their costs in the prices of their outputs and move totally away from Government subsidies. We hope that the National Pay Commission will design the compensation structure of the public sector corporations and other organisations keeping in view their obligations to the Government and to the society.

30. A few words on foreign aid will be relevant at this stage. The external aid climate is not at its best. In the case of Bangladesh there seems to be a possibility that commitment of fresh aid in real terms will be maintained in the next few years. If the flow of resources in real terms is to be stepped up, disbursements from the pipeline and from fresh commitment must be accelerated. For agencies in the public as well as in the private sector this will mean faster use of commodity aid in the pipeline, faster implementation of projects, and extreme care in allocation of foreign aid to priority objectives. If the level of investment is to be stepped up, which must be done in the coming years, we must mobilize more domestic resources in real terms. Only that will be a meaningful move towards greater self reliance.

31. I must be frank. This is an optimistic global scenario. We need only to look at what happened to IDA VII. IDA VI was fixed at \$12 billion in 1980, and in 1984 IDA VII is going to be fixed at \$9 billion when the needs of the developing countries have increased and the number of eligible IDA recipients has increased by 45%. This is symptomatic. I mention this only to highlight that our claim on external resources will have to be justified by our own performance and efforts when there are so many other claimants and aid resources are limited. In the case of Bangladesh the tests will be:

- (a) To what extent we can mobilize more domestic resources.
- (b) How effectively and timely we can implement aided projects.
- (c) What efforts we make to increase our export earnings in real terms.
- (d) How seriously we maintain a strong population control programme.

There can be no difference of opinion that these are all steps towards self-sufficiency and we do not have to be told this by the donors. Without these efforts no development programme can make any headway.

32. In 1984-85 also external assistance is going to play a dominant role in the overall economy of the country. The anchor sheet of the economic programme next year will be realisation of imports at a level of nearly \$2700 million. Of this, almost \$1615 million will be financed from foreign assistance in the shape of food, commodity aid and project aid.

The fiscal measures which I am going to describe shortly and the Import Policy for 1984-85 which will be announced soon will be directed towards realisation of the indicated level of import, for increasing domestic industrial production, agricultural production and supply of consumer goods. Special facilities will be provided for import of industrial raw materials, spares, intermediate goods and essential consumer goods.

#### Budget Estimates--1984-85

33. On the basis of the above mentioned import target and existing rates of taxes, duties, fees and service charges, total revenue receipts are expected to reach a level of Tk. 3465 crore. Of these, tax revenues to be collected by the NBR will amount to Tk. 2609 crore. Land Development Tax, Stamp duties, Registration fees and other taxes and duties will bring about Tk. 174 crore. On the whole taxes collected by the NBR will increase by 14%. Performance of land development taxes has not been satisfactory. On the basis of administrative measures taken this year, it is expected that collection of land development tax will go up to Tk. 50 crore next year. Non-tax revenues are expected to increase to a level of Tk. 682 crore compared to Tk. 593 crore in the Revised Estimates of 1983-84. Larger receipts are expected to come from dividend and profits of public sector financial and non-financial institutions, and net earnings of the T & T. I would like to mention particularly about the Bangladesh Petroleum Corporation. This year there was a subsidy of Tk. 40 crore given to this organisation. Next year they will be contributing Tk. 35 crore out of their surplus to the Government exchequer. From a total accumulated loss of nearly Tk. 325 crore on 1-7-1983, the organisation has generated surplus this year to the extent of over Tk. 130 crore; and almost a similar amount is expected next year. The Telegraph and Telephone Department is expected to increase its surplus by almost 65%--from about Tk. 11 crore in the Revised Estimates of 1983-84 to over Tk. 17 crore in 1984-85.

34. Revenue expenditure in 1984-85 is estimated at Tk. 2803 crore. This will mean an increase of 12% over the revised estimate of 1983-84. The rate

of increase will be lower than rate of growth of total revenue which is estimated at 14%. The estimate of expenditure includes an amount of Tk. 123 crore for unforeseen needs including an amount of Tk. 30 crore for completed development schemes which will be shifted to the non-development budget. Additional expenditure for elections will also have to be met from this allocation. The large amount of absolute increase in revenue expenditure estimates in 1984-85 reflects absorption of the higher emoluments of Government servants recently announced by the Government. It is worthwhile to mention that the largest increase in absolute as well as in percentage terms in the revenue budget for 1984-85 will be in the Education sector. With a total increase of about Tk. 105 crore, Education will have the single largest share in the non-development budget accounting for Tk. 470 crore. This will mean an increase of nearly 29% over the Revised Budget for 1983-84. The recurrent budget for the health services will increase from Tk. 113 crore in the original budget of 1983-84 to about Tk. 144 crore in the Budget Estimates of 1984-85--an increase of over 27%. Taking general administration, general services and the law and order machinery together increase in revenue expenditure in 1984-85 over the Revised Budget of 1983-84 will be under 10%. I am referring to these figures to indicate Government's determination to contain non-development expenditure. It is worthwhile to mention that revenue expenditure of the Railways will go up by about 16%--mainly due to increase in operating costs, additional benefits to the employees and increase in debt service charges. Another item of revenue expenditure to watch is interest payments on domestic and foreign debts. Total expenditure on interest payments will increase by about 16.5% next year over this year.

35. Capital transaction in the non-development budget has usually a negative impact on the budget. But the Revised Estimates of 1983-84 showed a surplus because of the receipts from Special 2-Year Treasury Bonds floated by the Government. For FY 1984-85 the sum total of capital transactions will give rise to a deficit of Tk. 133 crore. The major items of payments relate to foreign debts, quota subscription of the International Monetary Fund and capital restructuring of certain public sector corporation.

36. Total receipts of foreign loans and grants during the year will amount to Tk. 3897 crore compared to Tk. 3483 crore in the Revised Budget of 1983-84, showing an increase of 12.5% in Taka terms. Of this, Tk. 235 crore will be on account of projects outside the ADP which are implemented by the BSB, BSRS, BKB, BSCIC, Bangladesh Bank and some commercial banks. Of the remaining amount, Tk. 625 crore will be available from disbursement of food aid, Tk. 1847 crore under project aid and Tk. 1190 crore as counterpart funds from disbursement of commodity aid. The last two items will be available for financing the Annual Development Programme. In addition, sale proceeds of food aid received under PL-480 Title II & III will also be available for the ADP to the extent of Tk. 93 crore.

37. I would now like to discuss the Food Budget for 1984-85. Handling of the food budget has been a ticklish matter for several years. Because it is merged with the non-development budget, unexpected changes in the food situation immediately affect the overall revenue budget. This is not desirable. It is for this reason that in the Budget for 1983-84 it was proposed to transfer a part of the financing of food procurement from the budget to the banking

system. The idea was that incremental Government stocks would be financed from the banking system. In the event this was not necessary as domestic procurement of foodgrains during the year was well below the budgetary target and additional food imports from our own resources were largely financed under deferred payment arrangements.

The considerations for 1984-85 are slightly different. Considering the rapid expansion in money supply during the last two years, and the credit needs of the private sector, planned bank financing for food stocks would not be desirable.

The revised Food Budget of 1983-84 now shows a surplus of Tk. 33 crore whereas the original budget envisaged a deficit of Tk. 193 crore. This resulted from greater than planned off-take, and lower than planned cash outlay on domestic procurement. In the budget for 1984-85 the overall situation will lead to a cash deficit of Tk. 30 crore which will have to be financed from the revenues. At the beginning of the financial year food stocks are likely to be about 9 lac tons. Production during the 1984-85 has now been planned at 16.7 million tons. Imports are planned at about 17 lac tons. Domestic procurement is projected at 5 lac tons of which 4 lac tons will be in the form of rice and 1 lac ton wheat. Currently projected off-take is 19 lac tons including 4 lac tons for Food for Works Programme and another 1 lac ton for vulnerable group feeding and test relief. On these assumptions the stock of foodgrains with Government at the end of June 1985 should be about 1.1 million tons. The valuation of Food for Works Programme has been placed at Tk. 202 crore, and that for vulnerable group feeding and test relief at Tk. 42 crore. Cash subsidy on food distribution which will reach at Tk. 160 crore in the revised budget for 1983-84 is expected to come down to about Tk. 109 crore, mainly on account of lower projected off-take. But the real subsidy in both these years, taking into account the market value of imported and domestically procured foodgrains, remains much higher. This means real resources forgone which could be used for productive investments elsewhere. Gross outlay on the Food Budget in 1984-85 will amount to nearly Tk. 1553 crore and net outlay including financing from foreign assistance will be Tk. 562 crore. The net outlay will be financed to the extent of Tk. 625 crore from foreign aid and Tk. 30 crore from Government revenues, leaving an amount of Tk. 93 crore (sale proceeds of Title II & III foodgrains) which will be used for financing the ADP.

#### Development Budget for 1984-85

38. The National Economic Council approved a Development Programme for Tk. 3896 crore for 1984-85. 1984-85 will be the last year of the Second Five Year Plan. As we are all aware, the Plan had to be pruned substantially considering availability of domestic and external resources. Moreover, allocations between public and private sectors were revised last year. It is in this context that we have to look at the ADP 1984-85. It is our firm belief that if the ADP for the next year can be implemented successfully, new benchmarks will be established for launching the Third Five Year Plan with expectation backed by capacity for programme implementation.

39. The ADP for 1984-85 will have about 80 projects, a substantial consolidation compared to nearly 1400 projects 3 years ago. There will be an Annual Technical Assistance Programme with 71 technical assistance projects.

The ADP will have a taka component of 2049 crores and project aid disbursements are estimated Tk. 1847 crore. Almost 30% of the estimated project aid disbursements will be in the shape of reimbursable local currency expenditure. This will mean larger availability of local currency resources compared to earlier years and should automatically help faster implementation. A system of rewards for meeting project completion targets will be introduced next year.

40. Consistent with the declared policy of the Government for strengthening and expanding development activities at the Upazila level, the 1984-85 ADP provides for Tk. 423 crore for Upazila infrastructure and development grants, compared to Tk. 344 crore in the Revised ADP for 1983-84. Another special feature of the next year's ADP will be an allocation of Tk. 50 crore in local currency for development of the Chittagong Hill Tracts area. This will be the beginning of a 264 crore taka programme which has been approved by the Government for five years.

41. In preparing the ADP for 1984-85 the following principles have been followed:

- (a) Adequate allocation for aided projects and projects nearing completion.
- (b) Meeting the full requirements of "Core Projects"
- (c) Priority in allocation for projects which are directly productive.
- (d) Avoidance and exclusion of subh projects which can be planned and implemented at the Upazila level.

It is expected that a relatively large number of projects will be completed in 1984-85 compared to the earlier years, so that the Third Five Year Plan can be launched with as little burden of on-going projects as possible. Consistent with the declared policy of the Government the number of projects in the future ADPs should be reduced further as more and more activities are taken over by the private sector, the Upazila Parishads, and the autonomous public sector agencies.

In terms of allocation the highest share will go to the agriculture sector including rural development and water resources development. These activities, all geared towards increasing agricultural production, will claim 28.7% of the total sectoral ADP allocation. Next is the energy sector including power and natural resources, which will have 23.0% of the total sectoral allocations. Industries sector will claim a little over 10% and the transport and communication sector will have an allocation of 8.6%. Taking into account the allocation for the Upazila infrastructure programme, some sectoral allocations will undergo noticeable changes. For example, a large part of the infrastructure allocation will be spent on roads, buildings and housing. On the whole



agricultural production and production of Gas and Power will be given highest priority under the Annual Development Programme.

42. Use of development grants by the Upazila Parishads this year has not been strictly according to the guidelines. Next year they must plan to make maximum use of development funds on productive programmes--particularly in the field of agriculture. They must prepare special programmes/plans immediately in the new year to raise production of fruits and vegetables, spices (Onion, chilli, turmeric), pulses, oil seeds, poultry, fish, on which wage earners in the rural areas can spend their money income.

43. At this stage I would like to describe the resource plan for financing the ADP:

(Taka in Crore)

Revenue surplus on the basis of existing duties and taxes		662.20
Net outcome of capital transactions in the non-development budget (excluding food budget).		-133.00
Net out of the food budget		- 30.00
Extra budgetary resources		
Power Development Board	65.00	
Others	68.00	
Debenture issue of some organisations	30.00	
		<u>163.00</u>
Total Domestic resources:		662.20
Net receipt of resources from foreign aid disbursement:		
Project Aid	1847.00	
Non-project Aid	1190.00	
PL-480 Food Aid (Title II and III)	93.00	
		<u>3130.00</u>
Total resources available for development expenditure:		3792.20
Annual Development Programme	3896.00	
Gap in Resources		103.80

44. This gap will be made up through combination of new measures keeping in view the need for stepping up economic activities, production, imports and exports, in an environment of stable monetary and price situation. Before

describing the details of these measures in Part II of my statement, I would like to dwell on the monetary, credit and price situation envisaged for the next financial year.

#### Price, Money, Banking and Credit Situation, 1984-85

45. The total picture of economic projections for the next year will emerge when the Export and Import policies are taken together. I would repeat that provision of timely and adequate financial support through the banking system will be a major determinant of the level of such activities in the agricultural, industrial and commercial sectors. It is, therefore, desirable to provide indications of monetary and credit measures for the year at the time of announcing the Budget. The monetary and credit projections for FY 1983-84 was based on a growth rate of 6% in the GDP, price rise of 12%, and a deficit in the foreign sector of the extent of nearly Tk. 248 crore (\$100 million). The total liquidity was projected to increase by 15%, while total domestic credit was projected to expand by 17.3%. As against these projections, developments in the first 11 months of the year indicated that total liquidity will be substantially larger. The monetary and credit projections were, therefore, revised and total liquidity is now estimated to increase by 31% while total domestic credit will expand by a little over 20%. The substantially larger expansion in total liquidity during the year is mainly due to sizeable surplus in the foreign sector against the earlier projected deficit.

It may, however, be pointed out that there should be no borrowing of the public sector, including the Government, from the central bank for the year 1983-84, except for temporary overdrafts that may be needed in the last few days of the year because of advance payment of salary and allowance for the month of June before the Eid holidays.

46. The monetary and credit situation for 1984-85 will be influenced by the developments in the foreign sector as in 1983-84. Foreign exchange reserves at the end of June 1984 is estimated at Tk. 1300 crore or \$518 million. Exports during the year 1984-85 the details of which will be announced in the Export Policy are estimated to reach a level of \$885 million, and remittances \$600 million. Taking into the account the projected disbursement of foreign assistance, and other receipts and payments, the balance of payment is expected to show a surplus of about Tk. 127 crore (\$50 million). Monetary projections for 1984-85 have been made on this basis and another crucial assumption is regarding Government borrowing. It will be the continued policy of the Government not to borrow from the central bank except for food stocks over the presently planned level. In other words Government will not resort to deficit financing. For 1984-85 monetary and credit expansion programmes have been broadly planned as follows:

Credit to the public sector	+ 3.5%
Credit to the private sector	+26%
Total domestic credit expansion	+15%
Broad money	+16%

This level of monetary expansion in the wake of an average expansion of about 29% in each of the previous two years is expected to generate sufficient demand in the economy for increased economic activities and employment. If necessary foreign exchange reserves will be allowed to undergo reduction to meet higher demands. It is our firm belief that the monetary situation should not lead to inflationary expectations as ample provisions have been made for imports of foodgrains and other food items to make up shortfall in local production. Besides, the liberal import policy will be maintained and further strengthened for free import of raw-materials, spares and other intermediate and finished consumer goods. The monetary and credit programmes assume a GDP growth of about 6.0% as mentioned earlier, and price rise should not exceed 12%.

47. Despite a very large increase in credit and money supply during the last two years the inflationary expectations have been contained by following, among other things, a realistic interest rate policy, particularly the deposit rate. It would be, therefore, necessary to continue the present policy which will help to keep financial savings attractive to the people. In order to provide incentives to the banks for accepting fixed deposits and for extending term lending, the statutory liquidity requirement for time deposit will be reduced from 25 % to 23%, while the liquidity requirement in respect of demand deposits will remain unchanged at 25%. The central bank will keep this under constant review and take corrective measures whenever necessary.

48. It has been sometimes said that the lending rates of banks are on the high side. It is to be remembered that lending rates are closely related to the rate of deposit, that is the cost of funds, and the cost of administration of loans. Besides, it is abundantly clear that the present lending rates have not blunted in any manner the demand for credit. In fact, even at this rate, demand of credit is in excess of availability of funds. The demand for credit was particularly strong in the case of private sector. Credit to the private sector expanded markedly by about 50% in the first 11 months of this year as against an increase of under 25% in the same period last year.

Banking services have been expanded to the rural sector significantly during the last few years. In order to have more funds available for lending to the rural sector and also to check unhealthy tendency to resort to hoarding and speculation specially of food and other commodities, banks will have to mobilize as much deposits as possible in the rural areas. For this purpose, saving deposits with checking facilities will be allowed to earn 1% higher interest rate in the rural areas; that means savings account with chequing facility in the rural areas will carry an interest rate of 9-1/2% as against the normal rate of 8-1/2%. It needs to be added that the central bank will continue to undertake selective credit control measures in order to check and prevent speculative build up of stocks.

In order to provide incentive for developing banking habits and to generate confidence in the banking system in the wake of expansion of banking business in the private sector, Government have introduced a Deposit Insurance Scheme to be operated by the Central Bank. All commercial banks will pay a premium of 4 poisa per Tk. 100 deposit and all bank deposits will be insured up to Tk. 60,000. This will be effective immediately.

49. There was a sizeable expansion of agricultural credit in 1983-84. A programme of Tk. 850 crore was drawn up, Tk. 570 crore for crop financing and Tk. 280 crore for irrigation equipment. Against this target, crop financing by all participating credit institutions is expected to reach Tk. 455 crore by the end of June. This will mean an increase of nearly 30% over the figure for 1982-83. Disbursement for financing irrigation equipment was short of the target. Total for financing irrigation equipment was short of the target. Total disbursement may reach only about Tk. 80 crore by the end of June, compared to Tk. 108 crore achieved in 1982-83. While the Ministry of Agriculture and the central bank will continue to look into the reasons for this, it has been decided that there will be no increase in the prices of irrigation equipment in the next financial year. The only exception will be deep tubewells. The sale price of a tubewell is now Tk. 1,12,000, whereas the cost price is almost Tk. 4 lakhs. Total subsidy on deep tubewells will be nearly Tk. 100 crore on the basis of the present programme. It has, therefore, been decided that the price of deep tubewells will be raised to Tk. 1,30,000 per unit in the next financial year, still involving heavy subsidy.

Including financing for non-crop items such as draft animals, beef fattening, poultry, cold storages, and dairy farms, etc., total disbursement of credit in the rural sector is expected to reach nearly Tk. 900 crore at the end of FY 1983-84 compared to Tk. 679 crore disbursed in 1982-83, recording an increase of about 33%. Against this disbursement of around Tk. 900 crore, all financing institutions are expected to recover about Tk. 490 crore by the end of June 1984 compared to Tk. 338 crore in 1982-83. Outstanding amount of agricultural credit will reach almost Tk. 1950 crore in 1983-84 from Tk. 1350 crore at the end of 1982-83.

50. As I have already mentioned, maximum support will be provided by the banking sector next year for increasing employment and productive activities. In the field of institutional rural credit of B.K.B. co-operatives and nationalised banks, the total programme is expected to be Tk. 1150 crore compared to estimated disbursement of Tk. 900 crore in 1983-84 reflecting a growth of 28%. Of this, Tk. 615 crore will be for crop financing, Tk. 320 crore for other rural production activities and Tk. 145 crore for irrigation equipments.

As regards other rural production activities to which increasing attention will be paid by the banking sector, two programmes designed for this purpose deserve mention. They are Grameen Bank and Swanirvor Credit Programme.

(a) The Grameen Bank is expected to disburse about Tk. 20.27 crore to the rural poor in 1983-84 compared to only Tk. 5.9 crore in 1982-83. For FY 1984-85 it is expected that their lending operations will rise to Tk. 30 crore.

(b) The swanirvor Credit Programme, another special programme undertaken by the nationalised commercial banks for helping the rural people may reach a disbursement level of Tk. 14 crore during 1983-84. In 1984-85 their programme is expected to attain a size of Tk. 30 crore.

The nationalised commercial banks led by the Sonali Bank have prepared a programme for industrial credit expansion mainly in the field of small and cottage

industries. The Sonali Bank alone will have a programme for Tk. 200 crore over a period of three years to be disbursed at 14% interest. This programme will be executed in close cooperation with the Bangladesh Small Scale and Cottage Industries Corporation. Development of ancilliary industries having linkages with larger industrial units in public and private sector will receive particular attention in this programme. Other main elements of this programme would include development of

(i) Textile cluster;

(ii) Light engineering industries including bi-cycle industries;

(iii) Industries in the BSCIC industrial estates in norther part and other backward districts;

(iv) Handicrafts.

In addition, the on-going special small Industrial Credit Scheme will be further strengthened raising the disbursement for 1984-85 to Tk. 30 crore compared to Tk. 15 crore estimated for this year.

Initiative taken by the nationalised banking sector and their social consciousness in helping to generate employment and income in the rural and urban areas is certainly praiseworthy.

51. During 1984-85, several other new programmes are proposed to be introduced in the field of banking and credit. Commercial banks will be encouraged to go into term financing for setting up new capacities and for balancing and modernisation of industrial and manufacturing units to supplement the activities of term financing institutions.

The banks are expected to put in place simplified procedure for such loans, and if necessary Bangladesh Bank will determine targets for each bank. This is expected to facilitate the growth of industries, particularly those using machinery under the Wage Earners Scheme or using locally produced capital goods. In order to promote use of selected locally produced capital machinery, Bangladesh Bank will introduce a scheme to refinance the banks and financial institutions providing loans for such capital machinery.

52. While this will be a new phase in the history of our commercial banks, it is necessary to sound a word of caution. These new activities and involvement in term lending will call for professional supervision at every stage. The industrial financial institutions and the commercial banks must realise that there is need for planned supervision, guidance and monitoring of all investment projects whether in public or private sector. The lender's role must not end with the sanctioning of loans; but should be as active, perhaps more than when sanctioning such loans, as large amount of public funds have been misused in the past. The new initiatives of the commercial banks will succeed only if they take steps keeping this in view.

53. It has been decided that from 1984-85 a hire-purchase system will be introduced through the commercial banks for small consumer durables. Fixed income employees, whether in the Government, public sector or private sector will be provided facilities for purchasing locally produced bi-cycles, sewing machines and radios under hire-purchase system. Such loans will be available on the guarantee of the employer. Bangladesh Bank will work out the details of this scheme in consultation with the commercial banks.

In 1983-84 Bangladesh Bank introduced a scheme for financing rural housing at 5% interest. Up to the end of the year about Tk. 3 crore is expected to be disbursed on this account. In 1984-85 credit for this purpose will be raised up to a maximum of Tk. 15 crore. This will be in addition to rural housing including Upazila housing activities to be financed by House Building Finance Corporation.

54. In the beginning of this year a scheme was introduced for giving relief to the industrial entrepreneurs on account of higher liabilities arising from fluctuation of exchange rates. Borrowers were given time to exercise their option under this scheme up to 31-12-83. Since then representations have been made for extending this period. It has been decided that the period of option should be extended to 31-12-1984.

55. Before leaving the area of credit, I would like to mention that considering the sufferings of the farmers in the flood affected areas, Government have decided to provide concession and relief in respect of agricultural loans. Agricultural loan disbursed this year for Irri, Boro and Aus crops will be rescheduled by one year and interest charges will be fully waived. Moreover no penal interest will be charged for this rescheduling.

56. The present system of bank credit has grown largely out of responses to fill gaps and pressing needs for certain activities such as export financing, agricultural credit, housing loans, non-crop rural credit, small and cottage industries, etc. The need for a proper and in-depth review of the credit system has been felt for some time. It has, therefore, been decided that a Credit Enquiry Commission will be set up with effect from July 1, 1984. The terms of reference of this Commission have already been finalised.

57. Need for coordination among the banks and financial institutions and for regular consultation with the Government and the control on policy issues has been felt for some time. It has, therefore, been decided to set up a Consultative Committee for the nationalised banking sector in which private sector banks will also be invited.

58. Stuck-up loans of the commercial banks have been causing considerable worries to the Government for some time. One way to pursue recovery is to institute money suits in the civil courts. In order to expedite disposal of money suits of the banks, two courts of sub-judges were earlier created at Dhaka and Chittagong. Only recently three more courts of sub-judges--one each at Dhaka, Chittagong and Khulna have been created to deal with money suits of banks and financial institutions. With the functioning of the five courts of sub-judges, two at Dhaka, two at Chittagong and one at Khulna, disposal of money suits and recovery are likely to improve.

59. I would like to say a few words on the exchange rate policy regarding which considerable controversy has been noticed. The main objective behind the present exchange rate policy is to maintain relatively stable currency value, keeping in view the need for maintaining (a) competitiveness of the taka vis-a-vis our trading partners for increasing exports and (b) incentives for migrant workers to send remittances. I can say with confidence that this policy has produced satisfactory results. Even in a period of depressed international economic environment exports increased in nominal as well as dollar terms both in 1982-83 and 1983-84. Remittances went up in 1982-83 by nearly 45% over the previous year. In 1983-84 also the flow of remittances has been maintained at satisfactory levels. The present exchange rate policy was established in November, 1982 when the official rate of exchange was Taka 24 to a dollar. In the 19 months up to June '84, the official rate has gone up to 25 taka to a dollar, or a depreciation of little over 4%. But in the previous 2 years from September, 1980 to November 1982 the exchange rate depreciated from Taka 15 to Taka 24 to a dollar, or roughly by 60%. The rate of exchange has stabilized substantially since the present policy was introduced. One should differentiate the official rate of exchange from the market rate of wage earners funds. The exchange rate for wage earners funds is determined on the basis of market demand and supply. It has been the Government policy to permit more and more imports under wage earners funds to maintain a reasonable level of premium over the official rate of exchange so as to keep it attractive to wage earners. It will continue to be the policy of the central bank to maintain a reasonable and satisfactory premium of wage earners funds over the official rate.

#### Fiscal Measures

I would now turn to the fiscal policy measures incorporated in the Budget for 1984-85. Increase in domestic resources on a sustained basis is essential for providing funds for financing development activities in the country. Indirect and direct taxes provide the main domestic revenue resource. It is a fact that the base for resource mobilisation in our country is very narrow. It should also be remembered that revenue generation is not the sole objective of taxation. In the overall context of the country's economic situation, fiscal policy measures should also promote production, investment and savings, help stabilise price level and supplement the general economic policy guidelines. A tax must be rational and equitable and the procedure for its collection simple. In the existing state of the economy, our revenue system is heavily dependent on imports. This, at times, interferes with the stability of the revenue resources and impedes sustained growth of revenue. In order to get away from this situation, revenue collection has to be gradually shifted from imported inputs to domestic production and income. The fiscal measures adopted this year will reflect this principle with a conscious beginning in that direction.

#### Import Duty:

2. Faced with the pressing need for increased domestic resource mobilisation, customs duty could hardly be applied in the past as an instrument for economic development. It was used mostly as an instrument for raising additional

revenue. We have attempted for the first time this year to assign the revenue collection aspect of customs duty a secondary role and a conscious effort has been made to use it as a medium for aiding growth of industrial output. In point of fact, an effort has been made to introduce a fiscal policy package which would contribute towards price stability and generate additional revenue from increased output and employment. The duty structure of importable goods has been thoroughly scrutinised. In the process customs tariff on more than five thousand items of raw materials, intermediate goods, equipments and spares, parts and accessories have been reviewed and realignment of duty structure made. Rules and regulations have also come under close scrutiny and substantial measures of procedural improvement have been carried out.

3. Measures taken in this Budget in respect to customs duties are based on the following principles:--

- (a) protection of domestic industry,
- (b) safeguarding consumers' interest,
- (c) removal of fiscal anomalies,
- (d) uniform tariff for identical goods, and
- (e) simplification of tariff structure.

4. In order to put domestic industry on a competitive and viable footing in relation to imported finished commodities, and help augment domestic production, all duties on imported basic industrial raw materials having more than 20% rates have been brought down to 20%. In case of partly processed industrial raw materials, different tariffs were applicable and many of them were above 50%. In pursuance of the declared policy, duty on such materials have been reduced to 50%. There are also many fully processed articles which are used in industries as components and raw materials. Such items which are not produced locally have been identified and duty thereon have been reduced from 150% to 100%.

5. In implementing the principles I have outlined here, basic changes have been made in the duty structure of a very wide range of commodities. Since the tariff on these commodities have been brought down, Government will have to forego substantial revenue. However, in order to help accelerate economic growth, augment domestic production and bring about price stability, we have consciously opted for this loss. It is hoped that increased production at a lower cost will have its impact on commodity prices, benefiting the consumers. As an additional measure of giving relief to consumers, duties on a number of finished goods also have been lowered considerably.

6. Removal of fiscal anomalies, though essential, is a time consuming process. Special efforts are being taken since the last two years for removing such anomalies.. This year a number of fiscal anomalies have been identified and rationalised.



7. For quite some time, trade has been demanding uniform rate of duty on commodities used for identical purposes. While there was no lack of understanding of the problem, this could not be done earlier due to various factors including revenue implications. This year, a large number of items having identical use, have been brought under uniform tariff.

8. The need for simplification, rationalisation and realignment of duty structure has been recognised since long. Keeping this in view and on the basis of the current and specific studies of National Board of Revenue, the following measures have been adopted:--

(a) Textile fabric is an essential item and is used by rich and poor alike. It is desirable that its price is kept within the purchasing power of common man. On the other hand, considerable progress has been made in expanding domestic textile industry. Thousands of people are engaged in textile industries and handloom factories. Specialised textile mills are also coming up in a big way. While Consumers' interest demands low price of fabrics including imported varieties, the interest of the domestic industry has also to be protected. We have, therefore, endeavoured to strike a balance between these conflicting considerations. Synthetic and mixed fabrics are cheaper in international market, it is durable, easy to wash and iron, and therefore more suitable for the use by the common man. The present duty on the item is rather high at 200% compared to the duty rate of 100% on cotton fabrics. We have unified these two rates at 150%. In order to enable the domestic industry to retain its competitiveness with imported synthetic and mixed fabrics, duty on yarn of man-made-fibre has been reduced from 50% to 20%, making the rate at par with that on cotton yarn. Simultaneously, in order to enable the local handmade-yarn manufacturers to compete effectively with imported variety, duty on nylon chips has been reduced from 20% to 10% with full exemption of sales tax. This measure will bring the tariff on nylon chips at par with that on cotton and man-made-fibre. Moreover, in order to maintain steady supply of imported cotton at a stable price, tariff value has been fixed for the item at a level lower than the prevailing international price which is rising. The duty rates of 150% and 100% on grey unfinished cloth has also been unified at a lower rate of 100%. International fluctuations in fabric price has necessitated re-fixation of tariff value on different varieties of fabrics and the existing tariff values have been adjusted by 10% and 15%. The interest of the domestic industry will be fully kept in view also in respect of items like tents. In view of the existing high tariff value on cotton flannel which is not produced locally, its tariff value has been reduced by 25%. Existing tariff value of second-hand clothing being lower than the international price, it has been increased by 15%. Duty on wool top has been reduced to 5% from existing 10%. Duty on wool yarn has been reduced from 100% to 20% and that on wool and wool mixed fabrics has been reduced from 200% to 150%. Duty on silk yarn has been brought down to 50% from 100%.

(b) Uninterrupted electric power supply is a prerequisite for optimum capacity utilisation in industry. Due to various reasons it has not been possible to maintain such supplies in some areas. Given this situation, use of standby generator would keep uninterrupted industrial production. Duty on standby generator has therefore been reduced to 20% from existing 100%, and sales tax thereon has been withdrawn.

- (c) Inferior quality medicine can do more harm than good. In order to encourage adoption of proper quality control system in the pharmaceutical industry, duty on quality control equipment has been substantially reduced to 50% from existing 100%. Duty on some other items of the kind has been fixed at 100% from existing 150%.
- (d) Recent scientific discoveries have brought about remarkable development in medical field. It is desirable that whenever possible, people should benefit from these achievements of science. With this end in view, duty and sales tax on life saving appliances like pacemaker, kidney dialysis machine, breathing apparatus, etc. have been abolished. Similarly, life saving antibiotic drugs and medicines have also been made free of duty and taxes.
- (e) Due to frequent fluctuations in international price, imposition, assessment and realisation of duty on betel nuts often give rise to disputes and complications. In order to avoid this, a tariff value of Taka eight thousand per metric ton has been fixed for betel nuts. Tariff value on certain spices has already been fixed to stabilise their domestic price.
- (f) Industrialisation and construction works must proceed hand in hand. In order to assist this process, duty on construction materials such as logs, white cement, marble chips and powder, lifts and elevators has been reduced considerably.
- (g) Bakeries and other food processing are essential industries and are serving a very useful role in food catering. In order to encourage these industries, duties on caramel, yeast and baking powder have been reduced to 100% and 50% from existing 150% and 100%. The measure is likely to reduce the price of bread, biscuits, etc.
- (h) Basis of valuation of second-hand and reconditioned vehicles being varied, assessment to duty engenders confusion, disputes and misunderstanding. In order to remove this second-hand and recondition bus, coaster, car and other vehicles will be accorded a uniform 10% depreciation for the first year of use and at the rate of 5% per year for the subsequent years subject to a maximum of 25%.
- (i) Imported salt is now free of duty and sales tax. The cost of its domestic production is much higher than that of imported salt. This inequitable situation has jeopardised the interest of the domestic salt producers and thousands of people engaged in salt production are on the verge of unemployment. These are compelling reasons for adoption of appropriate fiscal measures to protect the industry and the people engaged therein. A duty of 10% has, in the circumstances, been imposed on salt, fixing its tariff value at Tk. 750.00 per metric ton. It may be mentioned that even with this imposition, the cost of imported salt will be around Tk. 975.00 as against local production cost of about Tk. 1,080.00 per metric ton. The item is sold in the open market at a price of over Tk. 2,000.00 per metric ton. The new imposition is not therefore, likely to affect salt price.

(j) Cycle and parts thereof are being produced in the country but duties thereon are inadequate at 100% and 20% respectively. This is impending expansion of this industry. To rectify the situation, duties on cycle and importable items of parts and accessories thereof have been enhanced to 150% and 50% respectively. Sales tax on the items, however, is being withdrawn. Further, to provide additional incentive to local production of importable items of cycle parts and accessories, a repayment of duty paid in excess of 20% will be made. This facility, however, will be confined only to the raw materials for manufacture of importable items of cycle parts and accessories. Duties on built up motor cycle have also been refixed at 20% and 50%, depending on the engine capacity, keeping the duty on CKD imports at the existing lower rates of 5% and 10%.

(k) While duty on most automotive parts is 100%, there are a few items attracting duty rates of 150% and 50%. Since these parts are used for similar purposes, their duty rates should also be the same. Such parts of automotive vehicles have been identified and duty thereon unified at 100%.

(l) Duty on scientific instruments like induction coil, silicon tubings, spherical and cylindrical mirror, special types of burner, etc., has been reduced to 50% from existing 100% and 150%. Substantial reduction of duty has also been effected on artists' brush and paints in tubes.

(m) In view of their wide use in the educational institutions, duty on reflectory telescope, drawing and survey equipments has been brought down to 20% from 50%.

(n) In order to encourage establishment of modern business offices, duty on certain office equipments and parts thereof has been decreased from 100% to 50%.

(o) Duty on colour television which is primarily used by well-to-do people is comparatively low at 50%. As a result of this low rate, the local assembling industry could not achieve rapid growth. In the situation, the item when imported under baggage rule will be dutied @ 35% instead of present 25%, and when imported outside the baggage rule, a regulatory duty of 25% will be imposed.

(p) Watch is a widely used item. Duty on it is rather high at 150% and that on its parts and components is 100%. Duty on watch has been reduced to 100% to make it available at a lower price. Simultaneously, duty on components and parts has been brought down to 20% to encourage local assembly of watches.

(q) For the benefit of rural areas where electricity is not yet available, duty on pressure lamp has been reduced to 100% from 150%.

(r) Importable papers are now dutied at two rates of 150% and 100% and have now been unified at a single rate of 100%.

(s) With a view to spreading use of knitting machine and encouraging local assembling of sewing machine, duty on knitting machine and parts thereof

as well as parts and components of sewing machine has been lowered considerably.

(t) Hard coke which has wide use in foundries is duties at 10% but sales tax thereon is 20%. In order to reduce the cost of this essential industrial input, sales tax is withdrawn, refixing duty at 20%.

(u) To benefit the local spectacle frame producing industry, duty on screw and rivet used therein is lowered to 50% from existing 150% and 100%.

(v) Baggage Rules and Transfer of Residence Rules have been rationalised. Henceforth, depending on the duration of continuous stay abroad, a passenger will be entitled to bring as accompanied baggage, free of duties and taxes, gift items worth Taka five thousand. However, any single item of a gift article must not exceed six in number. Under the Transfer of Residence Rules, a passenger coming home permanently after two years of continuous stay abroad shall henceforth be allowed to bring in used domestic effects up to fifty thousand taka. At present, a passenger can bring such goods worth Taka seventy-five thousand only after 3 years of continuous stay abroad.

(w) Effective steps have been taken to ensure quick customs clearance of goods imported under foreign aided projects. Necessary measures have been taken to effect quick customs clearance of other goods as well. Duty refund procedure has been simplified. As a result importers should now get quick refund and repayment of duty.

9. Considering the time constraint I have tried to keep my presentation as short as possible. Naturally, I could not specifically mention all the tariff changes. This years' fiscal policy measures have indeed brought about changes in duties of a wide range of goods. All these have been listed in the Annexure, giving detailed description of item-wise tariff changes.

#### Sales Tax:

10. In order to assist domestic industry and help maintain price stability, sales tax on standby generator, hard coke, waste paper, raw wool, one band CKD radio and poultry has been abolished. Sales tax on palm kernel oil has been withdrawn for the benefit of soap industry. With a view to encouraging construction in general and of multi-stored buildings in particular, sales tax on life and escalator has been abolished. Bi-cycle and importable parts and accessories thereof have also been made free of sales tax. Partial exemption of sales tax on ships imported for breaking has been withdrawn making the item subject to normal sales tax of 20%.

#### Excise Duty:

11. Self-clearance system which will replace the traditional system of collection of excise duty, will become fully operative from the 1st of July this year. Earlier, the Customs and Excise department arranged for necessary training of its officials in preparation of introduction of the new system. It also arranged seminars and discussion meetings for various

industrial and commercial establishments. This provided the tax payers an opportunity to get familiar with the system.

12. Electrical goods, apparatus and appliances have so far been enjoying full exemption from the leviable 10% excise duty. In recent years manufacture of many electrical items has attained markedly improved level and such goods have been banned for import. It is evident that production of such goods will not be adversely affected considering their expanding market and they can make effective contribution towards internal resource mobilization. Therefore, the present exemption on electrical lighting fittings and covers, plugs, sockets, switches, ballasts and chokes is withdrawn. This means that 10% excise duty will henceforth be realized from these items.

13. Sanitarywares (being chinawares and porcelainwares) are liable to excise duty since long. Complete duty exemption was, however, allowed to this item for the sake of steady growth of indigenous production. The unit producing sanitarywares in the country is equipped with most modern machinery. Also due to the ban on the import of these goods for the last two years the domestic industry is enjoying a monopoly market. Moreover, import duty on the principal raw-materials of this industry has been lowered. Brisk construction activities in the country has also generated additional demand for domestic sanitarywares. Therefore, the present exemption on sanitarywares and glazed tiles is withdrawn. Henceforth, 10% duty will be realized from these articles.

14. Nuts, bolts and screws manufacturing industry has grown in a sheltered market created by high protective tariff. Customs duties on imported raw materials required for production of these items have also been lowered. As such, excise duty at the rate of 5% is imposed on these articles.

15. The local motion picture industry has grown substantially over the past few decades. On an average 50 locally-made motion pictures are now released every year by the Film Censor Board for exhibition. This number is going to reach around one hundred next year. The market for domestic movies is largely protected due to existing restriction and prohibition on import of foreign films. Besides, Customs duty on imported films has raised from 25 % to 50% in the last budget. Customs duty on the raw materials used by the film industry has also been rationalised. The prospects for the locally-made movies has expanded further following the introduction last year of capacity system of duty on cinema halls and reduction of excise duty on cinema tickets from 150%, 125% and 100% to a flat rate of 100%. Considering all these aspects, excise duty at the rate of 50 poisha per linear feet (Tk. 1.64 per linear metre) is imposed on cinematographic films produced in the country. However, such cinematographic films having lengths below 500 feet (152.43 metres), instructional films, news films and advertisement films will not be liable to excise duty.

16. With a view to accelerating development of plastic industry, excise duty exemption has been allowed for the last two years to various plastic-made goods barring a few items. Meanwhile, local manufacture of plastic bags has progressed substantially. Under the existing circumstances, this item

is in a position to pay excise duty. As such, excise duty at the rate of 10% is imposed on this item. Plastic bags manufactured on cottage industry basis will, however, remain exempt from this levy.

17. I have just listed the items which would, henceforth, pay excise duty. The concerned establishments would naturally need time for familiarization with the excise rules and regulations. As such, they will not be brought under the purview of the self-clearance system at this state.

18. A large number of excisable goods are generally being sold in the market now at prices higher than the retail price determined by the Excise authorities. It stands to reason that the Government should mop up some of the excess profit to the national exchequer through imposition of Regulatory Duty in addition to normal excise duty. Imposition of a nominal 2% Regulatory Duty on the value of the goods on a selected basis will generate additional tax revenue without any noticeable effect on the price level. For instance, the price of a packet of ten cigarettes of low brand is 80 poisha. However, it is normally sold at 10 poisha per stick or Tk. 1.00 per packet. Thus, traders are realizing additional amount of 20 poisha per packet. As a result of imposing regulatory excise duty of 2% on the value, maximum retail price will stand at 82 poisha per packet, which is, in effect, below the ruling market price. Incidence of the regulatory duty on other commodities also will be more or less similar. Regulatory Duty of 2%, is therefore, imposed on cigarettes, paints, cosmetics, soaps and detergents, storage and drycell batteries, electric bulbs and tubes, television, wires and cables, motorcycles, footwears (mechanised) welding electrodes, jute manufacturers, electric fans and hotels and restaurants have bar and floor-show. Many of the items listed here are operating in a protected market.

19. Insulation board is generally used in cold storage and for air-conditioning purpose. At present there is 30% duty on the item. This rate is rather high compared to rates on other excisable products. In view of the high rate of duty, complete exemption of duty was allowed to insulation board used by cold storage units only. This has placed a disproportionately high burden on other sectors using insulation board. As a measure of rationalization, the existing 30% duty rate is reduced to 15% and exemption to cold storage is withdrawn.

20. As a measure of rationalization, specific rates of excise duty are gradually being converted to ad-valorem. Specific rates of duty on bicycle tyres and tubes and mild steel products are henceforth being replaced by ad valorem duty. The specific rate of duty on bicycle tyres and tubes of Tk. 1.15 and 0.40 respectively will stand converted to 5% ad valorem. Similarly, 5% ad valorem duty will replace the existing specific duty of Tk. 492.00 per ton of mild steel products. To keep the duty incidence low, a tariff value of Tk. 10,500 is hereby fixed for each metric ton of M.S. products, all sorts.

21. In the context of imposition of 2% Regulatory Duty on cigarettes, the existing rate of duty of Tk. 12.00 per thousand biris is raised to Tk. 13.20. As a result of this, the price of excise bandrol used in a packet of 25 biris will rise by only 3 poisha.

22. Natural gas is one of the country's main assets, but revenue yield from this sector is not rising significantly. At the same time, the price of gas as fuel is much lower than that of POL products and coal. At present there are two rates of excise duty on natural gas, viz- Tk. 9.50 per one thousand cft. of gas used for generation of electricity and manufacture of fertilizer and Tk. 21.65 per thousand cft. for other users. The cost of gas-based power generation is much lower than that involving the use of diesel and furnace oil. The cost of gas consumed by the fertilizer factories is relatively stable in comparison with the cost of raw materials used by other industries. Considering all these aspects, the rate of excise duty on gas used in generation of power, in fertilizer factories and for commercial use (both regular and seasonal uses) is being enhanced. The duty rate on gas used by industries and for domestic purposes will remain unchanged. The existing duty of Tk. 9.50 per 1000 cft. of natural gas used for the generation of electricity and production of fertilizer is raised to Tk. 10.45. For regular commercial use of gas, the duty will be Tk. 29.41 for a seasonal commercial use, the new rate will be Tk. 33.85 for 1000 cft. As a result of introduction of the new rate, the cost of production of fertilizer and power generation will increase by only Tk. 2.05 per maund and 1.80 paisa per unit of electricity, respectively. This is quite insignificant.

23. Considering the widespread use of mild steel and iron pipes in agriculture, the prevalent duty of 20% on these items is reduced to 15%.

24. At present, shoes manufactured mechanically are subject to [figure indistinct--10%?] duty. But shoes priced below Tk. 75 per pair are exempt from duty. This exemption ceiling was fixed a couple of years back. This is now refixed at Tk. 100 in place of Tk. 75. This means that shoes selling at prices up to Tk. 100 will not be liable to excise duty.

25. Soyaprotein biscuits made of soyabean flour are rich in protein. Considering this, soyaprotein biscuits which are subject to 10% duty is allowed complete exemption from payment of duty until 30th June, 1985.

26. Khataborrrds are normally manufactured in small factories. Raw materials used are waste and scrap papers. Although its manufacturing process is partially mechanical, it is dried through natural process by solar heat. These are mainly used for making low-cost packaging materials and for binding 'khatas' and registers. Considering its quality, and uses, the existing 15% duty on this item is completely withdrawn.

27. Despite 150% import duty on stainless steel blades, the only stainless steel blade manufacturing industry in the country is faring none too well, burdened as it is with too heavy capital investment. In consideration the existing 20% excise duty on this item is reduced to 10%.

28. To help promote export of tobacco, excise duty on plywood used in the export of tobacco is hereby withdrawn.

29. At present there is no excise duty on yarn made of 100% man-made fibres. Mixed yarn having proportionately more cotton is liable to excise duty of Tk. 1.50 per kg. But if the proportion of man-made materials is higher, excise

duty is charged, depending on quality, at the rate of Tk. 5.51 or Tk. 11.02 per kg. This rate is inconsistent in comparison with the rates of duty on other yarn. As a measure of providing incentive to domestic production, the existing rates are merged together and duty is refixed at Tk. 1.50 per kg.

30. To help production of woollen blankets and shawls in the country, duty rate on these items is lowered from 7-1/2% to 5%.

31. Chinawares and articles made of glazed claywares are at present subject to 30% excise duty. However, articles made of glazed claywares have been allowed exemption from payment of duty [article continues in next issue of serialized article]

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[Text] [Continuation] until 30th June, 1984. Further extension across the board is not considered justified. On the other hand, small producers need assistance. Considering all these, exemption is allowed only to chinawares and glazed claywares manufactured on cottage industry basis.

32. Additional 5% duty on packet tea is hereby withdrawn in order to help the growth of packet tea industries and to boost export. It is expected that this will have a healthy effect on the price of packet tea and the quality of exportable packet tea will improve gradually.

33. Contravention of provision of the Excises and Salt Act and the Rules carries a maximum penalty of Tk. 2000 at present. This penalty was fixed twenty years ago. Keeping in view the passage of time, the maximum amount of penalty is raised to Tk. 10,000. The Act has also been suitably modified to minimize the scope of dispute and controversy arising out of tariff classification of excisable goods and services. The definition of "wood and articles of wood" as provided in the Excise Schedule, has been rationalized. Exporters often complain that the existing excise rebate rules are cumbersome. After a thorough review, the existing rebate procedure has been simplified through procedural improvements. It is hoped that the revised procedure will help growth of export.

#### Turnover Tax:

34. In the last budget, Turnover tax was imposed on six types of specialized goods and services. The base of this tax is expanded this year to include commission earned by Travel Agents and bonded warehouses supplying goods to the diplomatic mission, diplomats and privileged persons. Turnover tax at 2% is accordingly imposed on commission earned by Travel Agents and on the total sales of the above mentioned warehouses.

35. Presently there is no Turnover tax on annual sales of goods up to Tk. 2 lakhs. In line with the lowest taxable limit for income tax, the exemption ceiling is fixed at Tk. 20,000 in case of income from services for the purpose of levy of Turnover Tax.



## Income Tax:

36. Along with the passage of time and changes in political and socio-economic scenerio, the existing Income Tax Act had to undergo numerous additions and alterations. In consequence, the Act had become quite complicated, verging on ambiguity. The Government, therefore decided to recast the existing Income Tax Act to give it a simplified and compact look. In the budget speech of 1982-83, it was mentioned that the Income Tax Act would be simplified and in this regard public opinion would be sought and considered.

37. Accordingly, suggestions were invited from relevant Government departments and private organisations and discussions were held with the representatives of various professional organisations, Chambers of Commerce and Industries and other concerned interest groups. After obtaining opinions from different quarters and after careful consideration of their proposals, a new Income Tax Ordinance was framed which has been promulgated as Income Tax Ordinance, 1984. The new Ordinance seeks to place before the public, a complicated law in a simplified and easily understandable form. The co-operation extended by the relevant quarters in carrying out the task has been a source of great inspiration and the Government is grateful to all concerned.

38. Last year, some prospective amendments were made in some sections of the Income Tax Act, 1922. These were to be effective from 1st July, 1984. These amendments have been incorporated in the Income Tax Ordinance, 1984. Apart from these, the new Income Tax Ordinance includes some additional features like:--

(i) Classification of tax payers has been reduced from three to two, i.e., resident and non-resident.

(ii) The term 'previous year' has been replaced by 'Income year' to connote the year of income for the purpose of determination of tax.

(iii) Power of the Appellate Joint Commissioner of Taxes to "set aside" an order, has been restored.

(iv) Share of profit paid to an Islamic Bank by a borrower of funds from the said bank will be treated as an expense of his business. Similarly, share of profit paid by an Islamic Bank to a depositor will also be treated as an expense of the Bank.

(v) Separate rates of tax has been prescribed for winnings from lottery.

(vi) The amount of exemption of annual value of self-occupied residential house which was fixed at Tk. 6000 in the year 1968 has been raised to Tk. 10,000.

(vii) Rates of depreciation have been consolidated and incorporated in the new Ordinance.

(viii) The existing limit of exemption of bank interest received by individuals, which was fixed at Tk. 3000 in 1981, has been raised to Tk. 5000.

39. Due to the promulgation of the new Income Tax Ordinance which has also incorporated the prospective amendments made by the last year's Finance Ordinance, there is no need to make any further amendment of the Income Tax Law by this year's Finance Ordinance.

40. This year, the following changes have, however, been introduced in respect of rules, notifications and rate schedules:

- (a) Limit of income for self-assessment scheme has been raised from Tk. 75,000 to Tk. 1,00,000. As a result more assesses will be made to avail of the opportunity of this scheme.
- (b) (i) At present, maximum income tax exemption allowed to salaried tax payers in cash house rent allowance received from the employers is Tk. 1,800 per month. Taking increase in house rent into account, the exemption limit has been raised to Tk. 2000 per month.
- (ii) The exemption limit of cash conveyance allowance of salaried persons is Tk. 3000 and Tk. 3600 per year under certain circumstances. Considering the increase in the cost of conveyance, the exemption has been raised from Tk. 3000 to Tk. 36000 and from Tk. 3600 to Tk. 4200.
- (c) At present interest up to 12-1/2% on the accumulated balance of an employee in a non-government recognised Provident Fund is exempt in the hands of the employee whereas the interest rate is 14-1/2% in respect of Government Provident Fund. With a view to removing this disparity, the exemption limit of interest on non-government recognised Provident Fund has been raised to 14-1/2%.
- (d) At present, income tax is deducted at source from indenting commission @ 10% of gross commission received by an indenter. On the other hand, the highest rate of deduction of income tax in the case of a contractor or supplier is only 3%. The rate of deduction at source for indenting commission has now been lowered from 10% to 5%.
- (e) At present, the highest rate of income tax in the case of registered firms is applied on the portion of income exceeding Tk. 1,60,000 whereas the highest rate of income tax in the case of individuals, unregistered firms, etc., is applied on the portion of income exceeding Tk. 2,00,000. To remove this discrepancy, the highest rate of tax in the case of registered firms has been made applicable on the portion of income exceeding Tk. 2,00,000.
- (f) At present, industrial companies are taxed @ 50% of total income whereas the non-industrial companies are required to pay tax @ 60%. In pursuance of the Government policy regarding reactivation of Stock Exchange and dispersal of company ownership, industrial concerns classified as "publicly traded companies" will be charged tax @ 45%. One important feature of this type of company will be that there shall be at least five shareholders on average for each one lakh Taka of capital.

(g) At present, income tax rebate is available on income from export sales up to a maximum of 60% of income tax payable. Sale of locally manufactured machinery, equipment and other finished products to any agency against its procurement programme in foreign exchange covered under foreign aid, loan or grant, will now be treated as export sales so that such sale would also become eligible for income tax rebate.

(h) Special programme for augmenting Income tax revenue.--From next year, a special two-year programme has been taken up to increase revenue yield from income tax. Special features of this programme are extensive survey work, collection and dissemination of all information regarding income through an integrated information system and utilisation of the same in the income tax assessment and widening of the scope of reward system introduced in 1980 relating to detection of tax evasion. It should be possible to collect substantial amount of additional revenue in the next two years through implementation of this programme.

#### Foreign Travel Tax:

41. (a) At present Bangladeshi nationals travelling abroad by air have to pay Foreign Travel Tax. But those travelling abroad by land and sea are not subjected to such tax. In order to rationalise the scheme, foreign travel tax will henceforth be realised also from Bangladeshis travelling abroad by land and sea at the rates of Tk. 50 and Tk. 200 respectively. This amendment will be effective from the first day of August, 1984.

(b) At present no foreign travel tax is payable for travel abroad on Government account by parliamentary delegation, by children under eighteen, for medical treatment and Hajj, and by those who have their tickets purchased abroad in foreign currency. Passengers falling in the last category had been enjoying this tax exemption by arranging to purchase tickets in foreign currency from abroad. Indication are that the facility is being widely abused. Foreign travel tax law is, therefore, amended suitably so that exemption in respect to tickets purchased abroad in foreign currency will be available only if the journey originates abroad.

42. In order to expand the base of direct tax and to raise additional revenue, a tax is imposed on all shops in the metropolitan areas of Dhaka and Chittagong, in the municipal area of Khulna and in the areas comprising all district headquarters. Shops in Upazillas as well as in the district headquarters of Rangamati, Bandarban, Khagrachari will be excluded from such tax. In the metropolitan areas of Dhaka and Chittagong and in the municipal areas of Khulna, the tax on shops will be levied at the following rates:

	Tk.
(a) Where the floor space does not exceed 100 sqt.	500 p.a.
(b) Where the floor space exceeds 100 sqt. but does not exceed 200 sqt.	1000 p.a.
(c) Where the floor space exceeds 200 sqt.	2000 p.a.

In other municipal areas subject to the tax, the rates will be half the above rates. For the purpose of the tax, 'shop' means any premises not being a temporary structure, where the trade or business of selling goods is carried on on a retail or wholesale basis.

#### Gift Tax Act and Wealth Tax Act:

43. In view of the replacement of the Income Tax Act 1922, by the Income Tax Ordinance, 1984 references to the Income Tax Act, 1922 in the Wealth Tax Act and the Gift Tax Act have been replaced by references to the Income Tax Ordinance, 1984.

#### Stamp Duty:

44. Stamp Act of 1899 provides that for transferring any property, the total consideration money can be divided, if needed, in parts by different instruments for payment of ad valorem stamp duty. It has been observed that by taking advantage of this provision, some transferees of property execute more than one instrument with a view to pay duty in the lowest slab in the progressive rates. To discourage this practice, an amendment of the Stamp Act, 1899 has been proposed. The new amendment will provide that where any property is conveyed to the same person in parts by separate instruments executed within twelve months, the last instrument shall be chargeable with such amount of duty as would make up the total ad valorem duty chargeable for the property.

#### Registration fee:

45. Registration fee on the basis of the value of the documents payable at the time of registration. It has been observed that the administrative expenditure for collection of Registration fee is about 30% of the total revenue and the existing rate of the fee is comparatively lower. Considering this, the rates of registration fee has been raised by 10% for increasing the revenue under this head.

#### Embarkation fee:

46. In Asian countries like Hong-Kong, India, Pakistan, Thailand, etc., embarkation fee ranging from Tk. 130 to Tk. 300 in Bangladesh currency are being realised from each air passenger. For air passengers from Bangladesh this fee is only Tk. 100. Therefore, to bring the rate to a level comparable to other countries in the region as also to raise additional revenue, the fee is being increased from Tk. 100 to Tk. 200 for every outgoing passenger. The existing rate of Tk. 10 for travel within the country will, however, remain unchanged.

#### Fees on entertainment of guests:

47. Under the Guest Control Order, entertainment of more than 100 guests in a function is prohibited. It has, however, not been possible to control this practice by Government orders alone. In the circumstances, it has been decided to impose a fee at the rate of Tk. 10 on each additional person above

the limit of 100 guests. This will increase revenue of the Government and at the same time it will meet the social obligations of the affluent section of the population.

#### Motor Vehicles Tax:

48.. Cars under private ownership not plying on hire, are required to pay tax on the basis of their seating capacity. The rate of this tax is comparatively low in comparison with the price of the vehicles. Accordingly, in the present budget, the rate of this tax is nearly being doubled. However, keeping the interest of the general public in view, no proposal has been made to increase the tax on bus, truck and other such vehicles.

#### Rail Transport Fare:

49. Bangladesh Railway is basically a Government organisation to be run on commercial considerations. But in the last few years it has not been possible to keep balance between its earnings and expenses. In 1983-84 the deficit in the Railway Budget will amount to Tk. 15.9 crore. In preparing the Budget for 1984-85 a deficit of Tk. 20.80 crore was shown. On the basis of latest Government decision regarding dearness allowance and other facilities for the employees, deficit will now increase to Tk. 35.80 crore. This huge deficit has put undue pressure on Government revenues. It may be mentioned that for transportation by road and waterways (in Third Class) fares per passenger mile are 28--32 paisa and 35 paisa respectively. In the case of railway fare per passenger mile in Class-III is only 13.19 paisa. In this situation the only way to reduce deficit in the Railway Budget is to revise passenger fares without any further delay. If the entire deficit next year is to be covered in this manner, it will need raising of railway fare at all levels excessively. It has been decided to increase passenger fares on the following lines:

Airconditioned and First Class--30% to 40%.

Class-II and Class-III--25%.

This will give additional income of Tk. 12.8 crore to the railways, but will still leave a gap of Tk. 23 crore.

#### Postal Rate Increased:

50. For the last several years, expenses for running the Post Office Department increased significantly. In the Department's budget in 1980-81, there was a deficit of Tk. 3.20 crore which increased to Tk. 12.15 crore in 1983-84. In the budget for 1984-85, this deficit has been projected at Tk. 20.5 crore. To limit this growing deficit fees for letters, parcels and other articles sent through the post office have been increased. Details of this increase may please be seen at Annexure 'KHA' of Part-II of the Budget statement. Under this arrangement income of the Post Office Department will increase by Tk. 8 crore and the deficit will be reduced substantially.

## Irrigation tax:

51. In the budget for 1983-84, a decision was announced that water rates will be levied for completed projects under the Water Development Board. In fact, the law for imposing water rates in gravity flow irrigation project areas was at first enacted in 1963. Because of administrative and procedural complications in the matter of levy and collection, the old Ordinance was repealed and a new Ordinance was enacted in 1983. But the Rules under this Ordinance which will determine the rates and the system of collection were not prepared. These Rules have now been formulated and rates for different project areas will be notified in the official gazette. It is estimated that from this source additional revenue of Tk. 8 crore will be generated in 1984-85.

It may be mentioned that Government have spent so far Tk. 1300 crore in projects under the Water Development Board during the last five years, but there has been practically no income from the operations of the projects under this Board. In fact, in 1983-84 the budget allocation for the Water Development Board projects was over Tk. 400 crore, on hundred per cent grant basis. This will be increased further in 1984-85. Levy of water rates will also be in the interest of equity as all other types of irrigation projects pay considerably higher prices for water.

Dear Fellow Citizens,

52. Before concluding I would like to draw your attention to a few issues which no citizen can afford to ignore. In a way Bangladesh has the most difficult development problems--low per capita income, low level of savings, almost the highest density of population in the world, extremely adverse land-man ratio, frequent natural disasters, heavy imbalance between exports and imports, and limited natural resources. In order to raise the level of living of the teeming millions, it is necessary to set medium and long term objectives, but unfortunately more often than not such medium and long term objectives are overwhelmed by short term crisis and unexpected developments as happened this year due to sudden destruction of crops. Nevertheless, there is no escape from setting medium and long term objectives. A listing of these is fairly easy and obvious for any one who gives some thought to the problem and I have already referred to them earlier and the backdrop of the 1984-85 budget.

But there seems to be a gap in the perception of the issues and realities both inside and outside the Government.

Let us take the subject of foreign assistance. Quite frequently people within and outside the Government will appear to make foreign aid the villain of the piece. Obviously nobody likes to remain dependent on aid. But if the investments have to be raised we need resources. Since domestic savings in the public and private sectors can be raised only by modest quantum, there is no reason why we should not make use of foreign assistance. The important thing is to make use of foreign aid in priority areas and not for consumption, and to ensure that the benefit of this is available to the maximum number of

people in the society. The present system of food subsidy is highly inequitable as it benefits only a limited group of people preempting hundreds of crores of resources. Government's involvement in food management should ideally be limited to holding of enough stocks for intervention in the market in order to stabilize prices, and to help the vulnerable group at times of disaster. In the case of fertilizer subsidy again, it is the relatively better off in the rural areas who derive most of the benefit. What is important is to ensure abundant supply of fertilizers, credit support and profitable output prices. Then there is the controversy regarding public and private sectors. There is no need to take a doctrinaire or extreme position unless the society as a whole opts for complete ownership of means of production, or complete laissez faire. If we take a look at the rest of the world, countries are moving away from such rigid positions, in the East as well as in the West.

These are issues on which national dialogue is overdue, leaving aside scoring of political points. In Bangladesh situation no group, political or professional, whether in power or out of power, can afford to ignore these areas any more and get away from the realities. Let us hope that in the context of the Third Five Year Plan these issues will be debated, discussed and resolved.

My submission will remain incomplete if I fail to mention that socio-economic stability is the most important precondition for success of the budget for economic development and progress. Let us hope that in 1984-85 uncertainties will gradually disappear and economic activities will be pursued free from political controversies. If production falters all of us will lose. If production increases all of us stand to gain. The choice before us is clear and obvious.

Khoda Hafez  
Bangladesh Zindabad

#### An Abstract of Fiscal Measures for 1984-85

##### KA-1 Import duties:

(A) For the protection and development of domestic industries duty on the following raw materials and articles have been reduced to 20%:--

- (1) Duty on China clay, Fire clay, Ball clay including all other clay used as industrial raw materials has been reduced from 50% to 20% (---70 lakhs).
- (2) Duty on lime stone has been reduced from 50% to 20%. (---20 lakhs).
- (3) Duty on Dolomite has been reduced from 50% to 20%. (---1 lakh).
- (4) Duty on Fellsper has been reduced from 50% to 20%. (±11 lakh).
- (5) Duty on Master Alloy, Powder and Flakes of Copper has been reduced from 50% to 20% (---3 lakhs).

- (6) Duty on unwrought nickel, nickel waste, and scrap, nickel powder and flakes has been reduced from 50% to 20%. (6-lakhs).
- (7) Duty on powder and flake of aluminum has been reduced from 50% to 20%. (--10 lakhs).
- (8) Duty on unwrought magnesium, magnesium waste, scrap, powder and flakes has been reduced from 50% to 20%. (--marginal).
- (9) Duty on unwrought beryllium and beryllium waste and scrap has been reduced from 50% to 20%. (--marginal).
- (10) Wrought and unwrought lead, waste, scrap, powder and flakes of lead including lead alloys have been reduced from 50% to 20%. (--15 lakhs).
- (11) Duty on unwrought zinc (including callots), zinc waste and scrap, powder and flakes has been reduced from 50% to 20%. (--10 lakhs).
- (12) Duty on unwrought tin, tin waste, scrap, powder and flakes has been reduced from 50% to 20%. (--2 lakhs).
- (13) Duty on unwrought tungsten, tungsten waste and scrap has been reduced from 50% to 20%. (--marginal).
- (14) Duty on unwrought molybdenum, molybdenum waste and scrap has been reduced from 50% to 20%. (--marginal).
- (15) Duty on unwrought tantalum and tantalum waste and scrap has been reduced from 50% to 20%. (--marginal).
- (16) Apart from the abovementioned base metals, duty on the following unwrought basemetal has been reduced from 50% to 20%, Bismuth, cadmium, cobalt, chromium, germanium, hafnium, indium, manganese, niobium (columbium), rhenium, antimony, thorium, titanium, zirconium and vanadium. (--marginal).
- (17) Waste paper and waste paper cutting used in paper making only have been subjected to 20% duty from 100% and 50%. (+10 lakhs).
- (18) Duty on lifts and escalators has been reduced from 50% to 20%. (+2 lakhs).
- (19) Duty on standby generator has been reduced from 100% to 20%. (--marginal).
- (20) Duty on woollen yarn has been reduced from 100% to 20%. (--marginal).
- (21) Duty on man-made yarn has been reduced from 50% to 20%. (--70 lakhs).
- (22) Duty on mixed yarn has been reduced from 50% to 20%. (--30 lakhs).
- (23) Duty on sewing machine parts excluding wooden table and needles has been reduced from 50% to 20%. (--marginal).



- (24) Duty on hard coke has been enhanced from 10% to 20% and sales tax has been abolished. (--marginal).
- (25) Duty on Agarwood has been reduced from 50% to 20%. (--marginal).
- (26) Duty on maintenance spares of oil and gas exploration imported by Petrobangla and its affiliated organisation has been reduced to 20%. (--marginal).
- (27) Duty on educational drawing, surveying equipments, astronimical equipments and reflecting telescope has been reduced to 20% from 100% and 50%. (--marginal).
- (28) Duty on motor cycle up to 75 c.c. has been enhanced from 10% to 20%. (--marginal).
- (29) Duty on parts of watches has been reduced from 100% to 20%. (--marginal).
- (B) Items on which duty has been reduced to 50% for incentive and protection to domestic industries:--
- (1) Duty on liquid lustre, glass frit and enamel glazes has been reduced from 100% to 50%. (--30 lakhs).
- (2) Duty on yeasts and baking powder has been reduced from 100% and 150% to 50%. (--marginal).
- (3) Duty on marble and granite chips and powder has been reduced from 100% to 50%. (--150 lakhs).
- (4) Duty on white cement has been reduced from 100% to 50%. (--marginal).
- (5) Duty on zinc annode has been reduced from 150% to 50%. (--20 lakhs).
- (6) Duty on copper foil, tube, pipe, blank, hollow bar, pipe fittings and copper castings has been reduced from 100% to 50%. (--10 lakhs).
- (7) Duty on tin for soldering has been reduced from 150% to 50%. (--marginal).
- (8) Duty on pre-punched vulcanised fibre sheet has been reduced from 100% to 50%. (--marginal).
- (9) Duty on raw silk and silk yarn has been reduced from 100% to 50%. (--2 lakhs).
- (10) Duty on refill of vacuum flasks has been reduced from 100% to 50%. (+6 lakhs).
- (11) Duty on sewing needles has been reduced from 100% to 50%. (--10 lakhs).

- (12) Duty on spray gun has been reduced from 150% to 50%. (--marginal).
- (13) Duty on rivets and hinges used in spectacles frames has been reduced from 150% and 100% to 50%. (--marginal).
- (14) Duty on artists brush and oil colour has been reduced from 150% to 50%. (--marginal).
- (15) Duty on domestic water purifie, has been reduced from 150% to 50%. (+5 lakhs).
- (16) Duty on fountainpen parts has been reduced from 100% to 50%. (+5 lakhs).
- (17) Duty on knitting machine and its parts has been reduced from 100% to 50%. (+10 lakhs).
- (18) Duty on permissible parts of bi-cycles has been increased from 20% to 50% and duty repayment in excess of 20% on raw materials for manufacture of these parts has been introduced. (--marginal).
- (19) Duty on undermentioned office equipment has been reduced from 100% to 50%; viz:
- (a) Intercom set, (b) dictaphone, (c) photo and thermocopying machine and parts, (d) parts of all office equipments including type-writer machine. (--10 lakhs).
- (20) Duties on undermentioned items used in Scientific Laboratories have been reduced from 150% and 100% to 50%; viz:
- (a) All types of burners, (b) Induction coil, (c) Silicon tubing, (d) Stop Watch, (e) Platinum crucible, (f) Overhead projector, (g) Camera lucid for microscope, (h) Sodium murcurry lamp, (i) Diode and triode apparatus, (j) Echo sounder, depth gauge. (--marginal).
- (21) Duties on undermentioned quality control Apparatus used in pharmaceutical Manufacturing units have been reduced from 150% and 100% to 50%, viz:
- (a) Hydrogen, Tungsten, Infrared, Ultraviolet, Shadowless lamps, (b) Platinum Electrodes, (c) Zone Reader, (d) Stop watches, (e) Burette stand. (--marginal).
- (22) Duty on motor cycle above 75 ccc. has been enhanced from 20% to 50%. (+5 lakhs).
- (C) Items on which duty has been enhanced or reduced to 100%:--
- (1) Duty on caramel an item used as raw materials for Bakery/Confectionery has been reduced to 100% from 150%. (--marginal).
- (2) Duty on wooden logs has been reduced to 100% from 150%. (--200 lakhs).

- (3) Duty on iron wool has been reduced from 150% to 100%. (--marginal).
- (4) Duty on insulating tape for use in electrical industry has been reduced from 150% to 100%. (--10 lakhs).
- (5) Duty on essential oil and mixture of two or more odoriferous substances, items of raw material for cosmetic, food and beverage industry has been reduced from 150% to 100%. (--10 lakhs).
- (6) Other inks except writing ink has been duted at 100% from 150%. (--10 lakhs).
- (7) In order to bring harmony in rate of duty of various grades of papers, duty on following papers has been reduced from 150% to 100%, viz:
- (a) Composite/self adhesive paper.
  - (b) Gassine paper.
  - (c) Monotype spool paper.
  - (d) Tracing paper.
  - (e) Toilet paper.
- 5 lakhs).
- (8) Duty on pressure lamps and parts thereof has been reduced from 150% to 100%. (--10 lakhs).
- (9) Duty on unfinished grey cloth of mixed yarn has been reduced from 150% to 100%. (--marginal).
- (10) Duty on fountain pen has been enhanced from 50% to 100% with a view to protect local industry. (--5 lakhs).
- (11) Duty on wrist watches has been reduced from 150% to 100% in order to lower price of this items of common use. (+5 lakhs).
- (12) Duty on feeding bottle made of plastic is reduced from 150% to 100%. (--marginal).
- (13) Duty on electric heater type insecticide diffusion devices has been reduced from 150% to 100%. (+2 lakhs).
- (14) Duty on parts used in automotive vehicles has been reduced from 150% to 100%.
- (a) Fan belt and other belting used as automotive vehicles.
  - (b) Fabricated asbestos of a kind used in automotive vehicles.

- (c) Friction materials such as brake-shoe, clutch lining of a kind used in automotive vehicles.
- (d) Safety glass consisting of toughened or laminated glass shaped or not for automotive use.
- (e) Rear view mirror for automotive vehicles.
- (f) Chain and parts thereof used in automotive vehicles.
- (g) Pins (gudgeon pins) of a kind used in automotive vehicles.
- (h) Filter for use in automotive vehicles.
- (i) Agglomerated cork in blocks, shafts, sheets, rods and tubes for automotive use. (--75 lakhs).

The undermentioned items of automotive vehicle parts has been enhanced from 50% to 100%:

Pumps and parts thereof.

(15) Duty on undermentioned apparatus and appliances for Quality Control of Pharmaceutical Industry has been reduced from 150% to 100%, viz.

(a) Flask shaker.

(b) Electrothermal heater. (--marginal).

(D) Items on which duty is either reduced or enhanced to 50%.

(1) Duty on nylon bristles has been reduced from 200% to 150% to encourage brush manufacturers. (--marginal).

(2) Duty of woolen fabrics has been reduced from 200% to 150%. (--marginal).

(3) Duty on cotton fabrics has been enhanced from 100% to 150%. (+724 lakhs).

(4) Duty on manmade fabrics and mixed fabrics has been reduced from 200% to 150%. (--1 lakh).

(5) Duty on bicycle is enhanced from 100% to 150%. (+2 lakhs).

(a) Miscellaneous:--

(1) Duty on drafting zone, an item imported for fabrication of ring frame by the Bangladesh Machine Tools Factory is reduced from 50% to 15%. (--marginal).

(2) Duty at the rate of 10% ad val. is imposed on imported Salt in order to safeguard interest of the local salt growers. (+100 lakhs).

- (3) Duty on nylon chips is reduced from 20% to 10%. (←marginal).
- (4) Duty on wool top is reduced from 10% to 5%. (←marginal).
- (5) Duty on pipelines imported by Petrobangla and its affiliated units for distribution of gas is reduced to 2-1/2%. (←marginal).
- (6) Duty on oil drilling rig and chemicals required for drilling is fully exempted, if imported by Petrobangla and its affiliated units. (←marginal).
- (7) Duty on aircraft imported by Bangladesh Biman is totally waived. (←marginal).
- (8) Duty on life saving anti-biotic medicine permissible for import is totally waived. (←marginal).
- (9) Duty on undermentioned medical equipments used as life saving device is totally waived:
- (a) Mechano therapy appliances.
  - (b) Resucitation apparatus.
  - (c) Oxygen therapy unit.
  - (d) Pace maker.
  - (e) Kidney dialiasis machine. (←marginal).
- (10) Duty on undermentioned items of games and sports requisite are totally waived from 200%, 150% and 50%.
- (a) Equipments required for play of golf and squash.
  - (b) Gloves made of leather.
  - (c) Knee-cup, anklet, supporter and shin guard. (←marginal).
- (11) By way of allowing fiscal incentive or removal of fiscal anomaly, repayment of customs duty is envisaged in the undermentioned cases, viz.:
- (a) Repayment of 10% duty on raw materials used for manufacture of C.I. sheet by the Chittagong Steel Mills.
  - (b) Repayment of 10% duty on imported components and raw materials for manufacture of diesel engines locally for approved irrigation purpose.
  - (c) Repayment in excess of 20% on raw materials used in the manufacture of cycle parts (only permissible for import). (←10 lakhs).

(12) Special provision has been made for allowing concessionary rate to domestic manufacturers of nuts, bolts and screws in respect of their imported raw materials not produced locally. (--marginal).

(13) Different rates of depreciation applicable in case of assessment of re-conditioned second hand cars have been rationalised. Depreciation at the rate of 10% for first year and 5% each subsequent years upto a maximum of 25% is henceforth ordered. (+10 lakhs).

(14) A regulatory duty of 25% is imposed on import of colour Television by commercial importers. But in case of import of colour television by a passenger as baggage items, the rate will be only 10% (regulatory duty). (--marginal).

(15) (A) Number of items of raw materials on which repayment is allowed in case of pharmaceutical manufactures is reduced and repayment procedure is simplified.

(b) List of raw materials for pharmaceutical industry is updated. (--marginal).

(16) Tariff value is fixed on the following items, viz:

(a) Cotton, (b) Salt, (c) Betelnuts, (d) Cordamon, (e) White pepper and (f) Coal. (+100 lakhs).

(17) Tariff value of fents, second hand clothings and cotton piece goods is recast bringing it in line with international prices. (+20 lakhs).

#### KA-2 Sales Tax:

(1) In order to provide protection to coal manufacturer of fire bricks of Sk-30, Sk-32-33, Sk-34 sales tax is imposed on import of these varieties. (+ marginal).

(2) Partial exemption of sales tax is withdrawn on ships for scrapping, henceforth 20% sales tax will be levied on this item. (+10 lakhs).

(3) Sales tax is withdrawn on bicycle and bicycle parts permissible for import only. (--10 lakhs).

(4) Sales tax is withdrawn on palm kernal oil, an item of raw material for soap industry. (--marginal).

(5) Sales tax is withdrawn on import of CKD components of one-band radiol (--marginal).

(6) Sales tax on import of stand-by generator is withdrawn. (--marginal).

(7) Sales tax is withdrawn on import of life saving mechanotherapy, resuscitation unit, pace maker, Kidney Dialiasis machine. (--marginal).

- (8) Sales tax is withdrawn on import of live poultry. (--marginal).
- (9) Sales tax is withdrawn on import of lifts and escalator. (--marginal).
- (10) Sales tax is withdrawn on import of hard coke. (--10 lakhs).
- (11) Sales tax is withdrawn on import of waste paper and paper cutting only fit for paper making. (--marginal).
- (12) Sales tax is withdrawn on import of mylon chips. (--marginal).

KA-3 Procedural improvement:

1. Measures have been adopted for expeditious clearance of goods especially project goods from Custom Houses.
2. Simplification of rules for repayment of Customs duty on locally manufactured goods sold against foreign exchanges in Bangladesh, has been done.
3. Measures has been taken for expeditious repayment of Customs duty allowed under repayment schemes.
4. Baggage rules, Transfer of Residence rules have been liberalised and ambiguity removed, to the extent of enhancing gift allowance for certain category of passengers under nontourist baggage rule and allowances under T. R. Rules is rationalised.

KA-4 Excise: (Figure in Lakhs.)

<u>Item</u>	<u>Existing Rate</u>	<u>Present Rate</u>	<u>Increase (+)</u>	<u>Decrease (--)</u>
1. Plastic bag	Nil	10%	+ 60	
2. Cinematographic films	Nil	50 poisha per feet	+ 70	
3. Nut, Bolt and screw	Nil	5%	+ 30	
4. Electrical goods and fittings	Nil	10%	+ 20	
5. Sanitaryware and Glazed tiles	Nil	10%	+ 50	
6. Regulatory duty	Nil	2%	+1385	
7. Insulation Board	30%	15%	+ 30	
8. Mild Steel products	Tk. 492 per tonne	5%	+ 45	
9. (a) Cycle tyre	Tk.1.15 per piece)	5%	+ 10	
(b) Cycle tube	Tk.0.40 per piece)			

10. Biri	Tk. 12.00 per thousand	Tk. 13.20 per thousand	+ 350
11. Gas	Tk. 9.50 per thousand cubic for use in production of fertilizer and generation of power	Tk. 10.45 per) cubic feet. )	)
	Tk. 21.65 for others	Tk. 29.41 for) commercial ) (regular) ) purpose. )	+1435
	Tk. 21.65 for industrial and domestic purpose.	Tk. 33.85 for) commercial ) (irregular) ) purpose. )	)
12. Steel pipe	20%	Tk. 21.65 )	)
13. Footwear	10% of the retail price on value exceeding	15%	--100
	Tk. 75 per pair	10% of the ) retail price) on value exceeding )	)
14. Soyaprotein Biscuits	10%	Tk. 100 per ) pair )	)
15. Khata board	15% Nil (for cottage industry)	Nil	)
16. Stainless steel blade	20%	Nil (for sun-drying system)	)
17. Plywood (used in the export of tobacco)	10%	10%	)
18. Mixed yarn	Tk. 5.51 and Tk. 11.02 per kg.	Nil	)
19. Woollen blanket and shawl	7-1/2%	Tk. 1.50 per kg.	)
		5%	-- 35





KA-13 Motor Vehicle Tax:

The rate of Tax on cars under private ownership not plying on hire has been doubled (+2 crores).

'KHA'-Postal rates: (Figures in Taka)

	<u>Increased rate</u>	<u>Expected revenue</u> (+)
Envelopes, Stamps and Frankings	.50	6.25 crores
Postcards	.25	.88 "
Newspapers	.05	.02 "
Ordinary Book and Pattern Packets	.15	.008 "
Ordinary Parcel	.50	.07 "
Foreign Mails		1.00 "

Economic Survey Reported

Dhaka THE BANGLADESH TIMES in English 29 Jun 84 p 1

[Text] Industrial production in the country during the 1983-84 financial year is expected to increase by 5.7 percent.

According to economic survey circulated along with the National Budget on Thursday, the rate of increase in the industrial sector was only 0.3 per cent in 1982-83 and 2.9 per cent in 1981-82.

The economic survey pointed out that production in both the public and private sectors has increased during 1983-84.

It said all out efforts were made during the year to increase production in the public sector. BMR and BMRE programmes were implemented in the units to help those reach their installed capacity while financial and administrative powers were decentralised to develop and strengthen the administrative system of the units.

Besides. the economic survey said, management information service (MIS) system had been introduced in the public sector enterprises to effectively control the sale, procurement of raw materials and production.

The economic survey said production of yarn is expected to increase by 9.57 percent, textiles--5.74 per cent, cement--4.12 per cent, caustic soda--6.01 per cent, truck, bus and car--87.09 per cent, motor cycle--207.02 per cent, TSP--23.19 per cent, urea--43.42 per cent, cycle--87.51 percent, steel--59.57 per cent, television--41.29 per cent and pole, post and slipper--023.31 per cent during the financial year 1983-84.

On the other hand it has been estimated that production of jute goods will fall by 14.76 per cent, sugar--14.58 per cent, matches--12.62 per cent, radio--38.83 per cent, diesel engine--45.25 per cent, soap--15.52 per cent, wood extraction--24.71 percent and raw rubber--1.93 per cent during the year.

It said that the shortage in jute goods, production was due to transfer of four nationalised jute mills to the private sector and increase of demand of light cloth and fall in demand of gunny bags in the international market for which production in mills had to be brought down.

The economic survey said sugar production was less this year due to heavy rainfall in the month of October which resulted in delay in crushing of cane in the mills and also due to lower rate of recovery of sugar from cane. Production of matches fell due to transfer of factories to the private sector. Besides, production also hampered in the public sector industrial units due power failure and load shedding, the economic survey said.

#### Expert's Criticism

Dhaka THE NEW NATION in English 6 Jul 84 pp 1, 8

[Text] Dr. Qazi Khaliquzzaman Ahmed, Research Director of Bangladesh Institute of Development Studies, in a post-budget reaction yesterday criticized the whole budgetary process and the development strategy laid down in it.

Talking to the New Nation Dr Ahmed said that despite the government projection of foreign aid component, which is about 81 per cent, it will become totally dependent on foreign aid as the revenue receipt will not be realised in line with the government projection. He said, the non-development expenditure of the government has been increasing and more importantly the announcement of government grants by the President himself and recently by the ministers will create serious problems along with the election expenditure. The recent damage of standing crops will accentuate the situation, he added.

Criticizing the subsidy withdrawal policy of the government, Dr. Ahmed said that the free interplay of market forces is not possible as all have no equitable access to the information and other aspects of the system. He said, the greater reliance on market forces will adversely affect the poor people and there must be appropriate market intervention including the subsidy policy to safeguard the poor.

Regarding fertilizer price decontrolling system, Dr. Ahmed said that different studies shows that small and marginal farmers in the remote areas are seriously affected because of price effects and also due to lack of interest of the private dealers to supply the same in the remotest areas.

He expressed regret that despite the announcement of Finance Adviser for making alternative arrangements for safeguarding the peasants no programme has been designed as yet.

Dr Ahmed cited instance of the United States farm subsidy and said that the US farm subsidy has been raised to 21 billion dollar from that of 3 billion dollar in 1980. By insisting on the withdrawal of subsidy, he alleged, the donors have been promoting the interest of international and national trading class.

Referring to the budgetary measures in reducing duties on imports Dr Khaliquzzaman said that the past records of the mill owners shows that they are interested on generating quick money. The budgetary facilities may not lead to expected results in increasing production rather there is a possibility for utilising this benefits in trading purposes. Moreover, if these facilities are being used for boosting production this will only ensure greater profit of the owners as budgetary proposals lacked measures to ensure fair prices. Instead the Finance Adviser sought the help of consumers for the protection of themselves.

Dr Ahmed said that the government measures will encourage the indenting income and therefore people will be interested in quick money earning system.

He, however, hailed the one of the positive steps for banning the foreign cigarettes and imposition of additional duty on cigarettes.

He maintained that if we are serious about surviving as a self-respecting nation we should immediately tackle the fundamental structural problems which have be deviled the prospect of development of this country. Such a course, he said, requires a process of participation by all section of people.

Mr. Gyeduzzaman should be congratulated for concluding his speech by emphasizing national concensus.

CSO: 4600/1042

## PRESIDENT WANTS NEWSPAPERS TO STRENGTHEN NATIONAL UNITY

Madras THE HINDU in English 15 Jul 84 p 13

[Excerpt] MADRAS, July 14. The President Mr. Zail Singh, today appealed to journalists and newspapers to strengthen freindship and brotherhood among the people and contribute to make the country's unity impregnable.

Media, in general, and newspapers, in particular, had a big role to play in the paramount task of preserving national integrity and help in fulfilling the people's aspirations for a better life, he said, launching the Madras edition of National Herald.

The President said that as opinion makers, newspapers, influenced the thinking process of the people by disseminating, information. As such "it is of utmost importance for journalists to adhere to truth and objectivity while conveying information". Wrong reporting, twisting of facts and sensationalisation of events would pollute minds and create a poisonous atmosphere, disturbing peace and harmony, he said.

It was not fair, Mr Zail Singh said, for a newspaper or a periodical to highlight the activities of the creed or the religious faith to which its owner belonged. The activities and preachings of all other faiths should also be projected with equal respect. "I feel certain that this kind of approach will be a significant contribution by newspapers to the forces of secularism and communal harmony".

Projecting achievements: Drawing attention to the need for a greater flow of information on national achievements, the President said, India had made all-round progress since independence and today occupied a prominent place in the world. There were several success stories with few parallels in the world and these positive achievements should be brought to the attention of the public. "Here is a big opportunity for the newspapers to play a significant a role as the one they had played in the days of the freedom struggle", he said.

Nerve centre of journalism in south: Madras, Mr. Zail Singh said, had been historically the nerve centre of nationalism and journalism in southern India, and the birth place of many newspapers in English and other Indian languages like Tamil and Telugu. Mention must be made of THE HINDU which, for more than

a hundred years, had made a significant contribution to the development of objective and balanced journalism in India. "It enjoys a unique reputation for its honesty, sanity and integrity", he said, and expressed the hope that the importance of Madras in the world of journalism would be enhanced further by the new edition of National Herald.

Nehru's cherished dream: It was one of the cherished dreams of Jawaharlal Nehru who founded the paper in 1983, that it should be published from all important centres in the country. In this context, the President said, it was gratifying to know that the paper would start its editions from Guwahati and Bhubaneswar soon.

Participating in the function held at the Music Academy auditorium, the Finance Minister, Mr. V. R. Nedunchezian, underlined the vital role played by newspapers in bringing into public focus the development activities of the Central and State Governments.

The Industries Minister, Mr. C. Ponnaiyan, and the Cooperation Minister, Mr. S. Thirunavukkarasu, highlighted the importance of constructive criticism by newspapers and the harmful effects of irresponsible journalism. They also pointed out how the newspapers which strictly followed journalistic ethics were patronised by the public for several decades.

Duty to preserve freedom: Mr. M. Bhaktavatsalam, former Chief Minister, urged newspapers to be always conscious of their duty to preserve the hard-won freedom and contribute to the economic and social progress of the nation.

Welcoming the gathering, the Managing Director of Associated Journals (AJL), publishers of National Herald, Mr. Yashpal Kapoor, said the paper had undergone many ups and downs and evolved into an authentic voice of freedom-loving people. Following a rapid expansion programme undertaken in 1980, the AJL was now bringing out eight other publications in English, Urdu and Hindi. The contents of the Farmers Journal (English) were so impressive that the Chief Minister, Mr M. G. Ramachandran, asked the monthly to be published in Tamil also. Proposals had been submitted for bringing out Vivasayi in Tamil, Mr. Kapoor said.

The President handed over the first copy of the Madras edition of the paper to the Governor, Mr. S. L. Khurana, Mr. S. M. Sundaram, Resident-Director, proposed a vote of thanks.

CSO: 4600/1062

PAPER REPORTS ZIA INTERVIEW WITH INDIAN NEWSMEN

Bombay THE TIMES OF INDIA in English 16 Jul 84 p 1

[Text] ISLAMABAD, July 15 (PTI). THE Pakistani president, Gen. Zia-ul-Haq, has advised minorities living in India, including Sikhs, to look to the government of India for redress of their grievances and also to the majority community.

He has urged them to live amicably and happily.

In an interview to a group of visiting Indian Journalists, Gen. Zia strongly condemned the use of religious places for storing arms and carrying out political activities.

"How can we support those who have turned religious places into armoury," he asked, recalling that nobody supported terrorists who entered the Holy Qaba.

Gen. Zia also said that one reason for the fall of the Bhutto government was desecration of mosques.

In his opinion, Gen. Zia said politics and religion were inseparable but added: "Politics is politics."

"Will you allow some Pakistani leaders (Benazir Bhutto and other leaders) to return to Pakistan at the time of election," a correspondent asked.

Gen. Zia replied, "We have nothing against anybody. Qualification and disqualification for the election will be laid down in the form of order by government and followed by the election commission.

"It is not up to me to decide whether I like somebody's face or not. It is for the election commission to decide. If anybody fulfills the condition, he or she is free to seek election," he said.

On the question of normalisation of Indo-Pak relations, Gen. Zia stressed the need for creating mutual trust and faith. "Somebody should believe someone. If we remain in the realm of distrust and disbelief all along, then 35 years of history, which is chequered with lack of confidence and three wars, will continue and we will never be able to open up a new chapter."

Replying to questions on reports of Pakistan seeking Chinese help to produce a nuclear bomb. Gen. Zia said that they were motivated and aimed at spoiling Pak-American relations. Some people want that the United States should stop its military and nuclear aid to Pakistan.

When his attention was drawn to the evidence produced by Senator Cranston that China was helping Pakistan to produce a nuclear bomb. Gen. Zia said, "Senator Cranston is living in a world of fantasy". Pakistan has also told Mr. Cranston that the evidence produced by him was far from truth.

CSO: 4600/1064



## GANDHI CONCERNED OVER RAMIFICATIONS OF PUNJAB EVENTS

Madras THE HINDU in English 16 Jul 84 p 1

[Article by G. K. Reddy]

[Text]

NEW DELHI, July 15.

The Government's display of increasing firmness is hardening the attitude of even moderate Sikh leaders who are no less resentful of the refusal to withdraw the Army from the Golden Temple complex, call off the combing operations in the countryside and release those in detention against whom there are no specific charges of violence.

In their present mood of bitter indignation and great humiliation, they are unable to visualise the Government's own dilemma that a premature withdrawal of the Army from the Golden Temple area could conceivably lead to a revival of extremism, while the prolongation of its presence beyond a point of tolerance could nullify the many pacification measures being contemplated to win back Sikh confidence.

**Pro-Khalistan slogans**

It was not surprising at all that in this strained atmosphere some young hot-heads, who assembled at the principal Gurdwaras in Delhi today to mourn the death of those killed in the military action at the Golden Temple last month, openly raised pro-Khalistan and pro-Pakistan slogans to the consternation of the older devotees who were content with denouncing the Government. The presence of large police contingents did not deter them from assailing the President and the Prime Minister, or extolling Bhindranwale's fundamentalism.

The Army and para-military forces in Punjab

have taken steps to prevent the Sikh jathas congregated at various Gurdwaras in the districts from marching to Amritsar to protest against the continued military presence at the Golden Temple. The core group of senior officials in Delhi who are dealing with the Punjab situation were keeping their fingers crossed today hoping that there would be no violence tomorrow, the day of mourning called by the Sikh high priests.

There is understandable concern in high political circles that, while the Government has succeeded in curbing terrorism in Punjab through firm action, it is not making much headway in pacifying the Sikh community with some sort of psychological reassurance. The sad part of it all is that the agitated Sikhs, who are greatly upset by highly exaggerated or totally unfounded reports of deliberate discrimination or systematic victimisation, are emotionally swayed more by the aftermath of the military action than the ghastly happenings that led to it.

The Hindus in Punjab who suffered grievously at the hands of the extremists are infuriated by what they consider to be the ambivalence of moderate Sikhs in adopting an apologetic attitude by refraining from condemning terrorism while assailing the Government for not withdrawing the Army too soon. There is no serious communal tension as such in Punjab, but the kinship between the two communities remains strained to the point of driving distrust down to the bones.

A worried Prime Minister has been pondering over the wider ramifications of this tragedy that has paralysed India's most flourishing State. As one who has to bear the cross for any of its adverse consequences, Mrs. Gandhi is known to be deeply worried over the growing alienation of the Sikh community despite the fact that it has lot more to lose by isolating itself from the Indian mainstream than by remaining a prisoner of its own inflamed passions.

The revival of insurgent activity in the north-eastern States, the unrest in Kashmir, the communal tensions in Maharashtra and Gujarat, the impact on Tamil Nadu of the renewed trouble in Sri Lanka and the growing discord between the Centre and the non-Congress (I) governed States are all adding up to create an atmosphere of turmoil in the country before the parliamentary elections. It has, therefore, become doubly imperative for the Government to make some imaginative moves in Punjab combining political measures with administrative steps to generate an atmosphere of reconciliation.

Any palliatives that are too little or too late can be no less damaging than no action at all in this explosive situation with so much bitterness on the rampage, with an entire community emotionally incited by an irrational combination of anger, and fear, apathy and wrath, revenge and indignation. The real need of the hour in Punjab is not just a display of firmness and determination, but tolerance and compassion.

CSO: 4600/1067

# MINISTRY RAISES TARGET FOR FOODGRAIN OUTPUT

Calcutta THE STATESMAN in English 18 Jul 84 p 9

[Text] NEW DELHI, July 17--Encouraged by a target-exceeding performance in foodgrain production in 1983-84, the Agriculture Ministry has revised the target for 1984-85, of 153.6 million tons to 156 million tons, reports PTI.

The purpose behind the Government's move is to hasten a faster annual growth rate to achieve self-sufficiency in foodgrain at an early date.

Though the production touched an all time high of an estimated 151 million tons in 1983-84, India had to import nearly four million tons of wheat and a much lesser quantity of rice to build up its buffer stocks.

The 151 million tons foodgrain production in 1983-84, which included record harvests of 59.3 million tons of rice and 44.6 million tons of wheat, represented a 16 per cent rise over the previous years' production of over 128 million tons.

However, the average annual growth rate has been officially estimated at around five per cent in the first four years of the current Sixth Plan, from 1980 to 1984. In the final year of the plan, 1984-85, the official expect that the target of 5.2% growth rate will be achieved.

Compared to this, the approach paper to the Seventh Plan for 1985-90, just approved by the National Development Council, envisages a growth rate of 5% and an overall growth rate of 4% in food production.

Addressing the Development Council for the Sugar Industry, Mr Gangopadhyaya, its chairman, said there would be "more than adequate" availability of sugar for consumers during the coming festival months.

CSO: 4600/1071

## CPI-M REACTS TO GOVERNMENT WHITE PAPER ON PUNJAB

## Party Statement

Calcutta THE TELEGRAPH in English 13 Jul 84 p 4

## [Text]

New Delhi, July 12 (UNI): The Union planning minister, Mr S.B. Chavan, today called upon chief ministers and Union ministers to be "extremely selective" in choosing new programmes and projects in view of resource constraint.

This approach was necessary since the major thrust areas in the Seventh Plan (1985-90), agricultural and rural development, creation of employment and poverty alleviation together with human resource development, would absorb the bulk of the resources.

While addressing the meeting of the National Development Council (NDC), which began a two-day session here to consider the draft approach to the Seventh Plan, Mr Chavan said escalation in the costs of Central and state projects was causing concern.

He said "tight planning and implementation must become a

cardinal concern of all project authorities, and accountability enforced for non-adherence to project time schedules and estimated costs." The considerable wastage of scarce resources caused by such delays "cannot be permitted any longer."

Explaining the broad approach to the Plan, Mr Chavan said in the Seventh Plan new major and medium irrigation projects should be considered only in areas of uncertain rainfall or endemic poverty or where inter-basin transfers were economically feasible.

In the Seventh Plan the aim is to reduce the percentage of the population below the poverty line to 23 per cent. The percentage of the population at the end of the Sixth Plan (1984-85) would be around 37 per cent.

Mr Chavan said the total public sector outlay in the Seventh Plan was expected to be of the order of Rs 180,000 crores. This

represents 47 per cent of the total plan outlay of Rs 320,000 crores and a 43 per cent step-up from what would be achieved by the end of the Sixth Plan.

The poverty alleviation programmes are estimated to absorb about seven per cent of the total plan outlay, significantly more than in the Sixth Plan.

The annual growth rate visualised for agricultural production is four per cent and seven per cent for industrial output.

Mr Chavan asked the chief ministers and Union ministers to consider whether the Seventh Plan should provide for the effects of cost escalation, both on resources and on cost investments in its formal structure.

He also sought their views on whether expenditure on maintenance of non-revenue earning assets should form part of plan outlays to ensure proper maintenance of such assets.

## Interview With Surjeet

Madras THE HINDU in English 13 Jul 84 p 12

[Text] MADRAS, July 12. Mr. Harikishan Singh Surjeet, a member of the Polit Bureau of the Communist Party of India (Marxist), has demanded a supplementary White Paper on the Punjab issue recognising the helpful role played by the Opposition leaders and the Government's responsibility for the creation of the situation.

The one the Government released on July 10 was "totally one-sided"--it not only contained a distortion of facts but lacked in several respects, he said today.

In an interview to THE HINDU, Mr. Surjeet maintained that the people were entitled to know the details of the tripartite conferences, the role of the Opposition parties in narrowing down the differences between the Akali leadership and the Government, and those facts which the Opposition had mentioned in Parliament and which were not questioned or challenged by the Government.

### Policy of Drift

While there could be no two opinions on the point that extremism and separatism should be put down firmly, he said, the entire blame for the Punjab situation could not be laid on the leaders of Akali Dal; the Prime Minister, Mrs. Indira Gandhi's policy of drift and the Congress (I)'s attempts at exploiting the situation for narrow political ends had largely contributed to the serious developments in the sensitive border State.

Pinpointing the main lapses in the White Paper, Mr. Surjeet disagreed with the contention that the Akali Dal surrendered the leadership and control of the agitation to the terrorists and was unwilling to negotiate a settlement on the basis of any reasonable framework offered by the Government. As one who was involved in the mediation efforts almost throughout the negotiations, he would say that there was reluctance on the part of the Central Government to agree to the proposals the Opposition parties brought up and were acceptable to the Akalis.

### 'Government Backed Out'

Up to February 15 this year, the Akalis were prepared for any reasonable settlement. In fact, there were several occasions when a settlement was in sight, but on all those occasions the Government backed out, "probably for political reasons it wanted the situation to develop, especially in the wake of the humiliating defeats the Congress (I) suffered in Andhra Pradesh and Karnataka".

No doubt, in the later period, especially after the breakdown of the negotiations in February the initiative had passed into the hands of the extremists mainly because of the happenings in Haryana at that time when Sikhs were harassed and humiliated "with the connivance of the administration there".

In this context, Mr. Surjeet pointed out that at the Opposition conclave in Delhi on June 30, 1983, certain proposals were made for settling the Punjab problem and the Akali Dal was a party to those proposals; however, the Prime Minister had rejected them outright. "It is the same formula she suggested in her broadcast on June 2 and mentioned in the White Paper", but the document did not contain any reference to the role of the Opposition in this respect.

In support of his contention that by its own actions the Centre had encouraged extremism, Mr. Surjeet stated that when the Akalis, under pressure, brought

forth the demand for amending Art. 25 of the Constitution, the entire Opposition condemned the demand and stood solidly behind the Government. "I as also other Opposition leaders discussed the issue with the Akali leadership and when we were almost successful in our attempt to persuade them to give up the agitation on this point, Mrs. Indira Gandhi and the Central Government, without consulting any Opposition party, made an offer to consider amendment to Art. 25", he said.

#### Distortions

He saw distortions in the White Paper where it referred to the Akali demands as stated in the Anandpur Sahib resolution of 1973. At the start of their agitation the Akalis never referred to the territories of Rajasthan or Himachal Pradesh and at the intervention of the Opposition parties in the tripartite conference they had agreed to give up the demand for inclusion of the Anandpur Sahib resolution as other political parties also were demanding the restructuring of Centre-State relations.

On the question of water dispute, Mr. Surjeet said, in the tripartite conference in January, 1983, the Akalis had agreed not to bring in Rajasthan. "In fact, it was the Central Government which refused to agree to a formula which I had suggested and which was accepted by other Opposition leaders and the Akali Dal" One of the points in the formula was that until the tribunal's decision on sharing on the surplus waters of the Ravi-Beas between Punjab and Haryana was received, the status quo as existed prior to 1976 would continue; however, the Government insisted that the award of 1981 would stand and on this the talks broke down. "After a month, the Government came forward to accept my proposal in full, but by then, the situation had changed."

On the genesis of the problem, he said, the Government had tried to confuse issues. A movement for the implementation of the Anandpur Sahib resolution was launched by Mr. Jagdev Singh Talwandi who had formed a rival Akali Dal by the end of 1980; however, it could not get mass support. The Akalis started a movement for the settlement of water disputes only in which the CPI(M) also had joined. In the meantime, Bhindranwale's two men were arrested (around the middle of 1981) and he, moving from Chouk Mehta into the Golden Temple, announced a movement for securing the release of the arrested. In this situation, the Akalis were keen to see that their movement, started to settle water disputes, did not aid the designs of Bhindranwale: "but it was the Government's policy of drift which pushed the agitation into the hands of extremists".

In spite of Bhindranwale indulging in anti-national activities, he was brought by the Congress(I) for campaigning in the Parliament and Assembly elections of 1980. "Till then he was little known" and it was the Congress (I) which brought him into politics and prominence and encouraged him in his extremist activities. These facts, Mr. Surjeet said, had been withheld from the public.

The CPI(M) leader criticised the Government for not making public the "small groups" in the US, the UK and Canada which indulged in anti-national activities and how they secured the support of elements in those countries which

tried to destabilise India. "The information should be available with the Government".

In his view, much of the operations which offended the religious sentiments of the Sikhs and resulted in damage to property could have been avoided if only the Government had apprehended Bhindranwale before December 15, 1983 when he was residing in the offices-portion of the Golden Temple complex. The right time the Government should have moved in was April, 1983 when a DIG of Police was shot dead outside the main entrance of the Darbar Sahib in Amritsar, he said.

#### Steps not Adequate

Earlier, addressing a press conference, Mr. Surjeet said the total result of the happenings in Punjab was that the Sikhs had been completely alienated, at least for the present and feelings of separatism were growing. The situation which helped imperialists and extremists should be remedied immediately. The steps taken by the Government to assuage the feelings of the Sikhs were not adequate. The Army should be withdrawn from the Golden Temple as early as possible and the complex handed over to the Sikh leaders who had the confidence of the community so that repairs to the temple buildings could be done according to custom.

The CPI(M) leader is currently on a visit to important cities in the country in pursuance of a decision of his party's central committee to explain to the people the issues involved in the Punjab problem, the present situation and the steps necessary to remove the ills. His party units in Punjab were organising village-level meetings to prevent the people from falling a prey to the designs of imperialists and extremists.

Mr. Surjeet has already addressed meetings in Bombay and Bangalore. During his week-long tour he will visit Hyderabad, Bhillai, Calcutta and Bhubaneswar.

CSO: 4600/1058

## DECISIONS OF CPI-M CENTRAL COMMITTEE REPORTED

Bombay THE TIMES OF INDIA in English 13 Jul 84 p 13

[Text] CPM AFFAIRS (TOINS, Calcutta): The last meeting of the CPM, central committee apparently took a number of significant organisational decisions which are now in the process of implementation. One such concerns the Tripura chief minister, Mr. Nripen Chakravorty, a member of the central committee, who has now been made a member of the politburo.

Mr. Chakravorty's induction is said to be in replacement for the late Mr. Promode Dasgupta. This, therefore, rules out the possibility of maintaining the number of West Bengal members in the politburo to three, as it was before Mr. Dasgupta's death. The West Bengal committee is now represented by Mr. Jyoti Basu and Mr. Samar Mukherjee. However, Mr. Chakravorty's elevation has been welcomed generally as well-deserved and long overdue.

But a more significant central committee decision is the introduction of a system of having permanent invitees to the 44-member central committee. Party sources agree that this obviously is a move to expose more state committee members to the all-India scene and the process of decision-making at that level.

The central committee, therefore, has decided to have 25 such permanent invitees. All state committees have been asked to make recommendations to the politburo, which already has selected five invitees from Karnataka, Tamil Nadu and Rajasthan. Selection from West Bengal, Andhra Pradesh, Kerala and Bihar are still pending. Together they will have 20 permanent invitees to the central committee.

Many in the organisation feel that this is going to have some very interesting implications in terms of the state committees, because membership of the central committee, automatically imparts a lot of prestige and importance within the organisation. This may be more true in the case of West Bengal, which only recently tried to bring up relatively younger people to the leadership level.

Tax Disputes (PTI, Calcutta): A total of 24,00 cases relating to disputes over direct taxes are awaiting settlement, according to Mr. N. Subramanian, chairman, central board of direct taxes.



Mr. Subramanian told a gathering of the trade and industry, organised by the Calcutta Chamber of Commerce, that 2,000 cases were in the supreme court, while the rest were pending in different high courts.

"If these cases are disposed of through normal procedure, it will go beyond 2000 A.D.," Mr. Subramanian said.

CSO: 4600/1056

## ASSAM CABINET GETS FIVE NEW MINISTERS

Calcutta THE TELEGRAPH in English 10 Jul 84 p 4

[Text]

Gauhati, July 9 (UNI): The Assam chief minister, Mr Hiteswar Saikia, today reallocated portfolios after inducting five new ministers and promoting others. The re-allocated portfolios are:

**Cabinet ministers:** Mr Hiteswar Saikia—administrative reform, election, excise, general administration, information and publicity, home, passport, personnel, political, printing and stationery, secretariat administration, youth welfare, sports and cultural affairs, forest, coordination of all departments and any matter not allocated to any other ministers.

Mr Abdul Mahim Mazumder—parliamentary affairs, judicial, legislative, power and jail; Mr Sadhan Ranjan Sarkar—veterinary and animal husbandry, relief and rehabilitation and municipal administration.

Mr Dipak Moormoo—social and child welfare:

**Minister of State:** Mr Dinanath Rajkhowa—forest, rural electrification, in charge of capital construction and border area development; Mr Kabir Chandra Raipradhani—cooperation, agri-

culture and in charge of other backward classes; Mr Tankeswar Dihingia—rural development, 20-point programme, judicial and public enterprises.

Mr Padam Bahadur Chohan—revenue;

Mr Abdul Mukta dir Choudhury—home, relief and rehabilitation and protocol; Mr Ibrahim Ali—transport and char development; Mr Lambeswar Sonwal—health and family welfare.

Mr Nagen Nzong—food and civil supply; Mr Munin Gautam—public works department; Mr Luis Islary—education; Mr Lakhi Prasad Hazarika—fishery and irrigation; Mr Dorsing Teron—hills plan and 20-point programme (hills) and public health engineering.

Mr Borga Ram Deori—flood control and welfare of plains tribe and scheduled caste; Mr Nepal Das—panchayat and community development; Mr Jiba Kanta Gogoi—industries, youth welfare and sports; Mr Mithuis Tuddu—labour and employment, khadi and village industries. The portfolios of other ministers remained unchanged.

CSO: 4600/1034

## ASSAM LEADER SAYS BORDER FENCE RESTORING CONFIDENCE

Calcutta THE SUNDAY STATESMAN in English 15 Jul 84 p 1

[Text] MR Hiteswar Saikia, Chief Minister of Assam, said in an interview in Calcutta on Saturday that the implementation of the centre's decision to erect a barbed-wire fence along the Assam-Bangladesh border had proved to be a great psychological reassurance to the people of his State. This was one of the factors responsible for thwarting the Assam agitators on the foreign national issue.

Mr Saikia said the erection of the border fence was one of the points the Assam agitators had agreed to at their last talks with the Government of India in Delhi in January last year. The Assamese were gradually realizing that Delhi was concerned about the infiltration problem and that it wanted to check it by putting up a border fence. "The fact that all the recent agitation programmes have failed to evoke any popular response is largely because of this. The bandhs, rasta roko and social boycott schemes are flopping one after the other, the Chief Minister added.

Mr Saikia said that the recent spurt in extremist activity, mainly around Tezpur, reflected the frustration of the All Assam Students Union and the Gana Sangram Parishad, which were spearheading the movement. These were desperate acts, aimed at terrorizing the people and pressuring the Government to resume talks.

Mr Saikia said that the Government was not opposed to talks. But it felt that no meaningful purpose would be served by resuming the talks now.

The Chief Minister said that the Assam People's Liberation Organization, which was responsible for recent violent incidents in the Berhamputra Valley had definite links with the AASU the Gana Sangram, Parishad, and was, in fact, their fighting arms. The APLO's connexion with Naga and Manipur extremists too had been established firmly. Mr Saikia said that he had been told by Central Ministers that the fence work on the Dhubri in Goalpara and Karimganj (in Cachar) sectors would resume after the monsoon.

Mr Saikia during the day visited the Mother Dairy plant at Dankuni. Mr Sadhan Ranjan Sarkar, Assam's Dairy Development Minister, accompanied by him. In Gauhati, says PTI, the AASU president, Mr Prafulla Kumar Mahanta, today blamed the Chief Minister for indulging in "half truths" to vilify the AASU and tarnish its reputation and goodwill.

## PAPERS REPORT REMARKS BY OUSTED KASHMIR CHIEF MINISTER

## Interview With Correspondent

Calcutta THE TELEGRAPH in English 10 Jul 84 p 6

[Interview with Farooq Abdullah, ousted chief minister of Jammu and Kashmir, by Tavleen Singh; date and place not given]

## [Text]

*Farooq Abdullah was wearing a black armband while giving this interview and there was a black flag on the pole outside his house where the red National Conference flag used to fly. He was clearly angry about the "palace conspiracy" but not bitter. The main thrust of his argument was that there was no question of Kashmir going back into a secessionist shell; it was a test of democracy, not secession.*

**Q** : Why, do you feel, your government was dismissed?

A: This has been on the cards ever since we won the elections because we did not come to a compromise with Mrs Gandhi's party.

**Q** : What compromise?

A: Well, an electoral alliance.

**Q** : You think it was just that?

A: I think that was the start of it. After that she tried to put spokes into everything we wanted to do.

**Q** : Were you taken by surprise when it happened?

A: I don't think I was taken by surprise in the sense that we've been hearing about this for a long-time. Ever since the transfer of the governor took place it was on the cards that this was going to happen.

**Q** : There are stories that the governor, Mr Jagmohan, was

*not very keen to do this?*

A: Yes, it is true that he wanted to follow my advice and take over, but Delhi was adamant (that G. M. Shah be sworn in).

**Q** : So you think it was Delhi who forced him?

A: Yes, yes.

**Q** : You were criticised during the elections for having given tickets to some of G. M. Shah's men. Do you now regret that you did this?

A: Yes, I certainly am sorry that my party did not listen to my advice at that time.

**Q** : What pressurised you to take them?

A: It was the party high command.

**Q** : Wasn't it pressure from your mother?

A: My mother was also a part of the high command. It was a combination of pressure from all these people.

**Q** : Did you yourself have doubts about them all along?

A: Yes, I did have doubts about them.

**Q** : But some of the others who have left you were those you had brought in personally, weren't they?

A: One person was a close friend. That is Mahbub Beg. I brought him in despite total opposition from everyone, even Shah. Of the two ladies who went over one was defeated (in the Assembly elec-

tion) and I was told not to nominate her. But I thought she (Gurbachan Kumari) had done so much work for her constituency and she was so dedicated that we should give her a chance. What can one say? They betrayed me.

**Q** : So you feel personally let down?

A: Yes, I feel terribly hurt.

**Q** : They say that one of the reasons why this happened was because you are still too naive as a politician?

A: Well, I hope I continue to remain an honest and straightforward politician. I hope that this debacle will not make me a crook.

**Q** : But do you feel that if you had known in advance, that if you had offered them a ministerial post....

A: I would not have offered them a ministerial post. I do not like cheap politics to stay in power.

**Q** : But do you feel that was the reason why they've gone?

A: Yes, they've gone because they wanted power.

**Q** : Do you think there was a money incentive given to any of them?

A: There was money, there was ministership, you name it and it was there.

**Q** : Now to come to this campaign that has been going on against you for about a year,

about your links with terrorists and secessionists. I've heard in Delhi at a fairly high level, that you met Amanullah Khan recently (Jammu and Kashmir Liberation Front leader)?

A: Not at all. I have never met him so far as the state is concerned and I have no intentions of meeting him. This is only to malign me and my party.

Q: Did you have earlier links with the JKLF?

A: No, I've never had links with them. I've made it quite clear that I met some of these people in 1974 when I went to Pakistan at the invitation of the Plebiscite Front, while discussions were going on between Mrs Gandhi and my father, on the so-called accord. That was the time when they invited me to a convention. There they only asked me to convey to Sheikh Sahib their feelings that they and their region should not be ignored in the discussions with Mrs Gandhi and it was there that I met Amanullah Khan and the others. I didn't know that they were members of any liberation front, I just thought they were there as I was, to attend the convention. I was not even a member of the Plebiscite Front. They invited me only because I was Sheikh Abdullah's son.

Q: What about your alleged links with Sikh terrorists?

A: Well, I think these people who are voicing this must know in their heart that it's not true. My only intention for Punjab was that an amicable solution should be found because, as has been proved now, whatever happened in Punjab, rather than improving the situation has worsened it. There is a deep divide between one community and the other which I wanted to avoid and in the process save the nation from destruction. Also, don't forget that I had been involved in Punjab because even in Kashmir depend on the road being open for our tourists. We have suffered greatly because of the trouble in Punjab. When there was curfew in Punjab we started running out of supplies. But I have never had any links with the terrorist groups or been sympathetic to the killings.

Q: What about this member of the AISSF in Jammu who you have appointed to some position?

A: Is he a teacher or something? Now firstly, it isn't written on anybody's face that they belong to some organisation. Secondly, I didn't give him the job. Jobs are given by recruitment boards. The chief minister doesn't have the power to give jobs any more according to the decentralisation that has taken place. Personally I have nothing to do with any of them.

Q: There's a charge that has been made by Mr Shah that the administration had completely collapsed under you because you were out in the rest of the country most of the time?

A: Well, let me refute that by saying that I was out in the rest of the country such a lot because I never thought of Kashmir as a separate entity. I always felt that we were part of the large motherland and that when they continued to make charges against me about being part of the MLF or the KLF or whatever I was not going to sit in the valley and be roasted. I went to every part of India to tell them that I am as much an Indian as they are.

Q: But there are other people, even those sympathetic to you, who say that your administration was not very good?

A: Where did they ever give me the chance to administer? Every day they used to needle me from Delhi on one charge or the other. Every day they made conditions here seem as if I was not going to stay very long. The bureaucracy never works wholeheartedly if it knows there's going to be a change in the master.

Q: You have said that you want to use Gandhian methods to fight back against what has been done. Have you any idea what form of civil disobedience or non-cooperation there would be? Would it involve, for instance, not paying taxes?

A: We'll do all sorts of things. We haven't formulated a proper plan yet.

Q: You're not going to sit quiet?

A: In politics it is not possible to sit quiet.

Q: Some people in the Congress(I) have said that you'll run away to England now?

A: They've got something coming their way if they think Farooq Abdullah is the running away type. They misunderstood me before. They obviously continue to misunderstand me.

Q: What do you remember of 1953?

A: Well, I remember in 1953 how the then Sadar-e-Riasat in the middle of the night sent a dismissal letter to my father and how the Army surrounded the house in Gulmarg. My father was driven away to the jail in Udhampur, and then there was a lot of killing and violence. That was an undemocratic thing. This was also an undemocratic thing. It is exactly the same thing. What happened to my father has happened to me, the difference is that I'm still a free man, with curfew in the city.

Q: But do you feel that if you do start this civil disobedience they'll arrest you?

A: Why not? How will they be able to function otherwise.

Q: Maulvi Farooq has suggested that all the National Conference MLAs should not resign to force elections. Are you considering this?

A: Not at the moment.

Q: How much do you think Mrs Gandhi's anger against you has come from your friendship with the national opposition parties?

A: They did want me to give up the opposition parties. In fact, one of their criticisms against me was that I met Morarji Desai in Bombay. The truth is that she is simply not prepared to accept someone who will not bow down to her. They wanted me to do what they told me to.

Q: There are people who are saying that you cannot be so popular since there has been no trouble and no bloodbath since your dismissal.

A: There is no trouble because we are appealing to the people to keep the peace. I don't want a bloodbath. I want

to fight for the rights of Kashmir, but peacefully.

*Q: So you are definitely not going to get out of politics now?*

*A: Once you are in politics there is no question of ever getting out of it. Let us not forget that Mr Shah had said he would retire from politics at 60. He is 64 now. Getting along, but still in politics.*

### Delhi Press Conference

Madras THE HINDU in English 13 Jul 84 p 9

[Text] NEW DELHI, July 12. Dr. Farooq Abdullah said today that he would go to the people's court and not a court of law to seek justice in the Gandhian manner against his wrongful dismissal from the office of Kashmir's Chief Minister.

Addressing his first news conference in Delhi after his ouster ten days ago, he said: "Farooq Abdullah wants democratic norms to grow in India. My intention is not merely to capture power."

For a long time there was persistent propaganda that Muslims had no place in India. It was during his tenure as Chief Minister that he had for the first time succeeded in bringing Kashmiris into the Indian mainstream, he added.

The actions in Punjab and Kashmir were a part of the Prime Minister's strategy to win the sympathy of Hindus. "It will be a tragedy if Hindus think Muslims and others are not a part of India", said Dr. Abdullah.

The Opposition leaders' recent visit to Srinagar had convinced the people that there were parties other than the Congress (I) in this country of 700 millions.

He said that he would revolt against the Governor's action. "I hate violence and would like to avoid it at all costs. The jail is the right place for me to live in".

Dr. Abdullah said that the Speaker of the Jammu and Kashmir Assembly, Mr. Wali Mohammed Yatoo, had issued notices to those National Conference MLAs who had joined the party of the new Chief Minister, Mr. G. M. Shah, that they had ceased to be legislators.

Under the Representation of the People Act as amended by the Jammu and Kashmir legislature, a person is disqualified to be its member if he voluntarily gives up the membership of the party which set him up as a candidate or of which he became a member after his election.

The party formed by Mr. G. M. Shah, however, claims that it is the real National Conference and hence there has been no defection.

He strongly repudiated insinuations that he was in league with extremists. Much was being made of a picture showing him with the executed Kashmiri extremist Maqbul Butt in 1974. But why in spite of this picture had Mrs. Gandhi been so anxious to form an alliance with him before the last Assembly poll?, he asked.

As for his contacts with Punjab extremists, he said the only time he met Jarnail Singh Bhindranwale was when he visited the Golden Temple in 1982 in search of a solution of the Punjab problem. After the visit he had told the Prime Minister that something must be done to settle the Punjab problem and talks with the Akalis followed.

The State's border with Punjab was sealed soon after action was taken against the extremists so that they could not take shelter in Kashmir. All this action was being coordinated by the Chief Secretary of Jammu and Kashmir who surely could not be accused of being anti-national, he said.

Even when he was Chief Minister, the Governor had behind his back flown in "troops" of the Central Reserve Police Force and the Madhya Pradesh Anti-Dacoity Force to Kashmir.

As for the allegation that the recent hijacking of the airbus to Lahore was the work of his friends, Dr. Abdullah said it was the Congress (I) which had masterminded it.

His inquiries at Srinagar airport had revealed that the arms on board the flight were placed before the plane left Bombay. The Congress (I) had been involved in hijacking earlier too, he alleged.

PTI reports:

Dr. Abdullah, who was flanked by the Karnataka Chief Minister, Mr. Ramakrishna Hegde, and the former Health Minister of Jammu and Kashmir, Mr. Mohammad Shafi, maintained that only religious training was imparted in the "gurmat camps" organised by the banned All India Sikh Students Federation (AISSF) in his State. Had army training been imparted he would surely have taken action against the offenders, he said.

CSO: 4600/1057

## UNION MINISTER WANTS SEPARATE VIDARSHA STATE

Calcutta THE SUNDAY STATESMAN in English 15 Jul 84 p 7

[Text] BOMBAY, July 14.--The Union Chemicals and Fertilizers Minister, Mr Vasant Sathe, has recently revived a controversy over the demand for a separate State of Vidarbha, a region which comprises eight districts of eastern Maharashtra. It coincides with the release of a report on regional imbalance in Maharashtra.

The report prepared by a fact-finding team appointed by the Government and submitted to the State Legislature, details the volume of the backlog in development work in different regions of the State, including Vidarbha, and recommends correctional measures. It refers to the demand for a separate Vidarbha made in the past.

Mr Sathe, in a public speech in Nagpur, made a desperate remark that the development of the Vidarbha region would remain stunted unless a separate State was carved out for the eight districts.

Many eye-brows were raised in political circles here as the remark came from a Union Minister and that too when regional passions were running high. The controversy and the criticism notwithstanding Mr Sathe stuck to his observations.

In several interviews after the controversy, Mr Sathe said there would be no alternative to creating a separate Vidarbha State if its development remained blocked. This was no separatism, he said.

Neither was it an election stunt, he said. He was just articulating an anguished cry for the development of a much-neglected region, the Minister said.

Mr Sathe belongs to Vidarbha, a region which remained away from the main Marathi-speaking regions in the erstwhile Bombay State till the reorganisation of the States on a linguistic basis in 1956.

Vidarbha was a part of the erstwhile Hindi-speaking Central Province. The people of Vidarbha remained away from the mainstream of Marathi culture and developed an independent cultural identity.

CSO: 4600/1060



## DEVELOPMENT COUNCIL CONSIDERS 7TH PLAN FORMULATION

## Planning Minister's Speech

Madras THE HINDU in English 13 Jul 84 p 7

[Text] NEW DELHI, July 12. Mr. S. B. Chavan, Union Planning Minister and Deputy Chairman of the Planning Commission, said here today that constraints on resources would make it necessary "to be extremely selective" in choosing new programmes or projects during the Seventh Plan. This was so since the major thrust areas of the Plan--agriculture and rural development, creation of employment and poverty alleviation with human resources development will absorb the bulk of the resources.

Addressing the two-day meeting of the National Development Council (NDC), Mr. Chavan gave an indication of the dimensions of the task facing the country during the Seventh Plan by pointing out that the population which was expected to rise to 803 million by 1989-90 from the present level of 734 million will add 37 million persons to the labour force. "The attempt in the Seventh Plan would be not only to create employment opportunities to absorb this net addition to the work force but also to reduce in a significant measure the backlog that will spill over from the Sixth Plan".

Explaining how selectivity in the choice of new projects had become inescapable, Mr. Chavan said: "In many cases the spillover in the Seventh Plan is likely to be equal to or more than the Sixth Plan expenditure. In the field of irrigation, it might be necessary to determine priorities even among on-going schemes in order to ensure quick completion of essential projects."

Power generation: Giving the other "physical dimensions of the Seventh Plan, envisaging a public sector outlay of Rs. 1,80,000 crores, representing about 46 to 47 per cent of the total outlay, Mr. Chavan said, electricity generation was expected to go up from 165 billion kilowatt hours at the end of the Sixth Plan to 270 billion Kilowatt Hours in the terminal year of the Seventh Plan. Steel production was expected to be around 13 million tonnes by the end of the Seventh Plan, while cement production would be between 48 to 50 million tonnes.

Originating railway freight was expected to be 375 million tonnes as against 275 million tonnes at the end of the Sixth Plan. Oil production would go up to more than 35 million tonnes. "We consider," Mr. Chavan said, "that these are

feasible and achievable levels of production and performance provided a determined effort is made for achieving higher levels of productivity. The States will have to put in a major effort to raise foodgrain production by bringing about an additional 15 million hectares of irrigation potential. For achieving this, the large number of unfinished major and medium irrigation projects at different stages of completion must be given over-riding priority."

Detailed exercises needed: Mr. Chavan suggested that areas characterised by low or uncertain rainfall or by endemic poverty or where inter-basin transfers are economically feasible, are the only ones where new starts for major and medium irrigation schemes should be considered in the Seventh Plan. Spreading of resources, which are already scarce, thinly over too many projects has to be avoided, most of all in irrigation. He also suggested that both in the States and at the Centre, detailed exercises should be done, enterprise by enterprise, programme by programme and sector by sector to quantify existing productivity levels, compare them with normative levels and evolve a time-bound programme to achieve the desired levels of efficiency and productivity that are the essential features of the Seventh Plan approach. "Without this," he said, "I am afraid the investment envisaged will not be realistic and the goals of significant reductions in poverty and unemployment and growth of equity will be difficult to reach."

#### Gandhi Addresses Meeting

Madras THE HINDU in English 14 Jul 84 p 1

[Text] NEW DELHI, July 13. The Prime Minister, Mrs. Indira Gandhi, reiterated here today that the Centre was giving "absolute equality of treatment" both to the States ruled by the Congress (I) and the Opposition parties.

In her concluding remarks to the two-day meeting of the National Development Council, she said that the Congress Chief Ministers had complained that "we give more consideration to the States ruled by the Opposition parties. Stressing the need for ensuring the fullest cooperation between the Government and the people and between the State and the Central Governments, she said that the Centre made no distinction between the States "ruled by our parties and other parties".

While conceding that the States had their own difficulties, the Prime Minister said that "several States created difficulties for themselves and for the nation as a whole". Commenting on the observations of Mr. N. T. Rama Rao, the Chief Minister of Andhra Pradesh, that the Centre had claimed credit for many programmes, for instance, the Integrated Rural Development Programme (IRDP), she asserted that "it is a fact that these programmes were initiated by the Centre".

Confrontation talk deplored: Depreciating the tendency to talk in terms of a confrontation between the Centre and the States, she said, "Let us remember that the Centre does not have any territory of its own. The territory belongs

to the States. The Centre does not exist outside the States. There should be the closest coordination between the Centre and the States, both in thinking and working. All the major plans have to be implemented by the States. It does not do to denigrate any programme".

Pat for Tamil Nadu: Mrs. Gandhi congratulated Tamil Nadu on its fine work in family welfare. The benefits from the Plan programmes were gradually flowing to the people, she said. "We cannot reach all the 70 crores people at the same time even if we have resources. We do not have an abundance of resources and there must be priorities and we must ensure that all programmes reach the people", she said.

The Prime Minister said that Centre-State relationship should be seen in the perspective of creating unity and strength. This is the rationale of the special programmes for weaker sections and regions so that their backwardness can be eliminated. The important approach is that of having a well-knit family where everyone shares the available resources.

Better use of local resources: Mrs. Gandhi said that India had already become one market in terms of goods and services, labour and capital. Any attempt to fragment this market will weaken the country. Endorsing the Tamil Nadu Chief Minister's point about making greater use of local materials, she said, "we should make better use of resources and talent in rural areas which are now getting enough encouragement".

Philosophy of tolerance: Replying to the criticism that the Centre was encroaching on the State subjects like education, the Prime Minister said, "Where education is with the States, the Centre comes in to maintain standards, particularly in medicine and engineering. We cannot have anything sub-standard. Education must also lay stress on communal harmony and should not preach any kind of a sense of superiority of one region over the other or of one religion over the other. It should bring about the unity of the country and it should stress a national philosophy of tolerance".

Only Plan direction discussed: Mrs. Gandhi was glad that almost all the Chief Ministers had endorsed the Seventh Plan approach paper. "We are not discussing the Plan as such", she said, "but the direction of the Plan. Now there will be a long drawn process of discussion, filling in the details and discussions with the Chief Ministers.

The Prime Minister concluded by saying, "there will never be a time we shall be without difficulties, but the Indian people have the capacity to meet the challenges".

#### Approach Paper Approved

Calcutta THE STATESMAN in English 14 Jul 84 p 1

[Text] NEW DELHI, July 13.--The Planning Commission hopes to have the draft of the Seventh Five Year Plan ready by November following the approval of its

approach document by the National Development Council which ended its controversial two-day session today.

The Union Planning Minister, Mr S. B. Chavan, told reporters that the approval was "unanimous" and that the consent to the approach document by the four Chief Ministers, who had walked out of the NDC meeting yesterday, was taken as having given in the absence of any specific opposition by them.

But their speeches and statements will not form a part of the record of the NDC meeting, the minutes of which will note only that the four Chief Ministers walked out. The resolution condemning the walk-out, however, will be included in the record.

Experts will now go into some specific issues, notably whether the Seventh Plan should provide in its formal structure for the effects of inflation, both on resources and on costs of investments, Mr A. M. Khusro, a member of the Planning Commission, said today that the Plan outlay assumed that it would be non-inflationary but the experts would decide how to deal with inflation, if this did creep in.

#### Growth Rate

The Seventh Plan, according to the approach document released today, aims at a growth rate of a little more than 5%. This rate should contain inflationary pressures and lead to import substitution in sectors like crude oil, foodgrains and edible oils besides generating employment and income for the poor, especially at the less developed regions.

The Plan is based on the assumption of a 20% savings rate which has already been achieved. Over the five years, aggregate investment at 1984-85 prices is expected to be Rs 3,20,000 crores. Of this, public investment would be Rs 1,50,000 crores. The public sector outlay in the Plan will be about Rs 1,80,000 crores.

The required resources will be mobilized in a manner which minimizes dependence on external sources or on deficit financing which has a high inflationary potential.

#### Summary of Paper

Bombay THE TIMES OF INDIA in English 15 Jul 84 p 7

[Text] NEW DELHI, July 14 (UNI). FASTER movement towards social justice and sharper focus on employment will be the kingpin of the seventh five year plan (1985-90) now on the anvil, according to the approach paper on the plan.

The document, made public after it was approved by the National Development Council yesterday, says the guiding principles of the plan "should continue to be growth, equity and social justice, self-reliance, improved efficiency and productivity."

Visualising a total investment of Rs. 320,000 crores, including a public sector outlay of Rs. 180,000 crores, the document has set a target of over-all annual growth rate of over five per cent.

Setting the direction for the formulation of the seventh plan, the 38-page document spells out its twelve major features.

The major features are: Alleviation of poverty and a reduction in inter-class, inter-regional and rural-urban disparities.

Reduction of the percentage of people below the poverty line to less than ten by 1994-95 will continue to be the goal.

The attainment of this goal will require a larger investment in the programmes aimed at giving self-employment and wage employment to the poorer sections of the community, says the paper. Poverty alleviation programmes will be integrated with the relevant sectoral development programmes, especially those taken up in the rural areas.

The paper calls for integration of re-distributive land reforms and security of tenure to the informal tenants with the anti-poverty package of programmes.

The seventh plan will have a national employment programme. It will cover landless labour, seasonally unemployed labour, educated unemployed and women by bringing together and integrating the various on-going employment programmes.

The emphasis on rural development through the national rural employment programme, rural landless employment guarantee programme and integrated rural development programme will continue with better planning, closer monitoring and tighter organisation for effective implementation, the paper says.

Special attention to rehabilitation of tribal families and public distribution of foodgrains and cloth to vulnerable sections are also visualised.

On the maximum possible generation of productive employment the document says that employment schemes will aim at the creation of durable assets, skill formation and generation of permanent and continuing employment with progressively increasing income levels.

In addition, the schemes will continue to promote self-employment in economically viable activities backed by the requisite training, credit, marketing and organisational linkages. "Besides maximising employment generation, utmost attention should be directed to the improvement of labour productivity in all sectors".

#### Education Priority

On the attainment of self-sufficiency in food the paper calls a rapid advance in agricultural production to attain self-sufficiency in foodgrains with an overall growth rate of around four per cent per annum in production and greater stability in output to smoothen annual fluctuations. Dry land farming for

rising productivity in the semi-arid and dry regions would receive high priority.

It also calls for a higher level of social consumption, particularly in education, health, nutrition, sanitation and housing. It stresses the need for reorientation of the educational system to meet the requirements of the country, it says that the over-riding priority will be given to universal elementary education for children in the age group 6-14 years by 1980.

Primary health care would continue to be the main instrument for achieving the goal of health for all 2000 A.D.

The minimum needs programme would be the sheet anchor for promotion of the primary health measures. "Effective co-ordination and coupling of health and health-related services and activities, like nutrition, safe drinking water supply and sanitation, housing, education, information and communication, and social welfare have to be built in as, without such inter-sectoral coordination and co-operation, the implementation of the health programmes suffer considerably."

It wants enhancement in the degree of self-reliance through export promotion and import substitutions. The paper says the country's net earnings from invisible items in the balance of payments have declined substantially from the peak level touched in 1980-81. It would, therefore, be necessary to depend largely on faster growth in exports and on import substitution.

The need to exploit the potential for export of engineering goods and non-traditional items has been emphasised. While internal generation of know-how, technology and production have to play the dominant role and exports must be increased, the need for imports would always remain. It would be necessary, however, to lay down strict priorities in the matter of imports, the paper says.

Voluntary adoption of a small family norm and a positive role for women in economic social activity should be accelerated.

Presuming a population growth rate of 1.8 per cent per annum and estimating the population at 803 million at the terminal year of the seventh plan, the paper cautions against scaling down the importance of the objective of population stabilisation in the overall strategy.

Improvement in literacy and awareness, extensive programmes of information, education and communication, an appropriate mix of incentives, reduction of infant mortality through improvement of mother and child health services and satisfaction of minimum needs will help towards this end, the paper says.

It pleads for a reduction in infrastructural bottlenecks and shortages and for improved capacity utilisation and productivity throughout the economy.

The need for continued, regular and intensive monitoring of all major public sector enterprises and especially of capacity utilisation is emphasised. The paper has further stressed that projects adding to infrastructure have to adhere to time-schedules laid down, and accountability has to be insisted on.

The paper says one of the factors responsible for investment in real terms lagging behind target is the multiplicity of bottlenecks and shorages within the sectors producing infrastructural goods. These should be avoided in the seventh plan.

It has emphasised the need to ensure that production of steel, cement, coal, railway transport, communication, irrigation and fertilisers to not become mutual bottlenecks.

On efficiency, modernisation and competition in industry, the focus of industrial development will be on upgradation of technology, modernisation, better utilisation of assets and the promotion of efficiency.

Referring to the conservation of energy and promotion of non-conventional energy sources, the paper says, indigenous research and technological activity in the energy sector "is unsatisfactory." Organisations and institutions charged with this responsibility should be reinforced and strengthened. This is particularly important in regard to new sources of energy and social forestry.

On decentralisation of planning and full public participation in development, it says it is considered very essential to implement anti-poverty programmes effectively and to ensure balanced regional development at least in respect of the minimum needs to begin with, the centralisation of planning from the state level should be taken to the district.

Referring to integration of science and technology into the mainstream of development planning, the note says that the substantial capabilities built so far in the field of science and technology have not been brought to bear in full measure on the national tasks. Efforts will be made in the seventh plan to ensure that the bulk of science and technology effort is an integral part of all economic and strategic sectors.

On ecological and environmental conservation, the paper says that all future development programmes will take environmental considerations fully into account.

Afforestation programmes, both in the plains and on the hills, will be stepped up to outpace the rate of denudation. These programmes can be a major source of employment and income for the poor, apart from providing fuel and fodder for meeting local needs. These will also contribute to soil conservation.

In this context, the paper says, the integrated management of resources on a watershed basis in hill areas, with participation of the people, needs to be given high priority.

PTI adds: Though the plan approach paper does not give any indication of the proposed increase in the production of foodgrains, the planning minister, Mr. S. B. Chavan, indicated at the meeting of the National Development Council that the proposed level of food production would be around 188 to 191 million tonnes.

This should be compared with the present level of production of 150-151 million tonnes this year, which would form the base year for the seventh five year plan. The level of production in 1979-80, the base year of the sixth plan, was 127.86 million tonnes.

Again, while the approach paper does not mention the outlay for the poverty alleviation programmes, Mr. Chavan told the NDC meeting that the programmes were estimated to absorb five to seven per cent of the total plan outlay. The outlay would thus work out to Rs. 9,000 crores to Rs. 12,600 crores.

This is against an outlay of Rs. 1977.55 crores on integrated rural development and related programmes and national rural employment programme in the sixth plan.

The seventh plan would aim to reduce the percentage of population below the poverty line to 23 as against 37 at the end of the sixth plan and 51 at its commencement, the NDC was informed.

#### Emphasis on S&T

Calcutta THE TELEGRAPH in English 16 Jul 84 p 6

#### [Text]

New Delhi, July 15 (PTI): A considerable increase is likely in the Seventh Plan outlay for science and technology from Rs 33.97 crores allocated to it in the Sixth Plan, going by the priority assigned to it in the Plan approach paper.

If science and technology are to play a role in national development, says the approach paper, it cannot do so by being a fringe element, but only if it is an essential component in all major socio-economic sectors "and appropriate investments for this are made."

Funds would have to be provided during the Seventh Plan to fully utilise the already created capabilities. This would include modernisation of existing capabilities by replacement of old equipment, provision of appropriate amenities for scientists which are lacking, and modern infrastructure facilities such as stabilised power.

The paper says India cannot afford to stay behind in crucial areas of high technology, where fast growth is taking place.

Moreover, it says, the scientific and technological capabilities that have been built up have to be used more effectively to promote efficiency, productivity and technological advance in all sectors.

Comprehensive technology development plans, which take an integrated view of internal developments and imports of technology, will have to be prepared and implemented in a few critical sectors during the Seventh Plan period.

While the stress in the Plan is on faster growth of exports and import substitution, import of essential technologies to complement internal technological development must also have priority.

An important step envisaged in the approach paper is ensuring commitment of industries in the area of research and development and the Plan document suggests that an allocation of about 10 per cent of the sales turnover could be considered as appropriate expenditure on R and D.

The paper says that a statement on science and technology effort by industry must feature in every annual report. It does not, however, spell out the steps that may be taken to induce industry to spend more on R and D. With the fast changing pace of development in science and technology the world over, the paper says, several new areas have emerged. Such areas, according to the approach paper, include micro-electronics biotechnologies, and oceanography.

However, the plan document says, the manner of developing such areas, administrative and other responsibilities for these, extent of funding and other such issues have to be decided on a national basis.

Besides, there are areas like information systems development, national resources management system (through application of remote sensing techniques), development of integrated energy systems using conventional and non-conventional sources, which have to be attended to



INDIA

ARUNACHAL PRADESH WANTS BURMA BORDER SEALED

Calcutta THE STATESMAN in English 17 Jul 84 p 9

[Text] NEW DELHI, July 16.--Arunachal Pradesh has called for the sealing of its border with Burma as a precautionary measure to stop extremist activities from across the boundary, according to the Chief Minister, Mr Apang, reports UNI.

Speaking to reporters here Mr Apang said two persons had been killed in the border villages some months ago. It was suspected that they had been killed by extremists who were operating from across the border. Besides, there had been cases of extortion of money from the poor and innocent villagers by the extremists.

He said he had met the Prime Minister and the Home Minister, Mr P. C. Sethi, and had drawn their attention to these facts and requested them to take measures to seal the border.

He added that his Government, as well as the people, were very much concerned over the proposal to construct two bunds over the Dhing and the Subansiri to check floods in Assam. If the bunds were constructed about one sixth of the total population of 6,30,000 in the State would be rendered homeless and at least three towns would be submerged.

Mr Apang said although the Assam Chief Minister, Mr Hiteshwar Saikia, had told him that the bunds would not be constructed against the people's wishes, he was yet to be informed about the reaction of the Centre to the protest lodged with the Government in this regard.

Arunachal Pradesh was not happy with the development of communications and transport facilities. Only [number indistinct] out of the 101 district administrative centres had been provided with telephone facilities. The administration had to rely on wireless to maintain communications with the officials.

CSO: 4600/1070

EXTREMISTS IN TRIPURA REPORTEDLY REGROUPING

Calcutta THE STATESMAN in English 17 Jul 84 p 9

[Text] AGARTALA, July 16.--Extremists of the underground Tribal National Volunteers (TNV), Tripura, are now regrouping in different areas of the North district, according to informed sources, says UNI.

Of about 250 TNV extremists active in the State, about 150 are moving about in North district in small groups.

The sources said the extremists had divided themselves into 25 groups and were now busy collecting information about "security bases" and the route of combining operations.

The sources suspect that the extremists enter Tripura through three villages in the North district bordering the Chittagong Hill tracts of Bangladesh. The extremists are moving to the other districts through hilly terrain and different forest ranges.

The sources said there were about 20 members of the Mizo National Front with the TNV extremists. These extremists were equipped with sophisticated weapons like light machine-guns, stenguns and self-loading rifles.

In a letter to a local daily recently, Dhananjay Reang, vice-president of "Free Tripura's TNV Government in exile", pledged to fight the "Indian Colonial Government of the Left Front in Tripura".

Mr Reang said that the TNV was determined to create a "free Tripura and a free land for the Tribals, who had been reduced to a microscopic minority by the foreigners".

The sources quoting eye-witnesses said that some of these extremists in North district were extorting money from the rich and contractors.

According to reports received here, many wooden electricity poles in some parts of North district were cut off by some unknown criminals. The sources felt this was being done by the extremists to snap all connexion with the district quarters.

PTI adds:

The Tripura Chief Minister, Mr Nripen Chakrabarty said the promulgation of the special ordinance empowering the Centre to declare any State or a part of it was "terrorist-affected" was an attempt to "establish one-party authoritarian rule".

Mr Chakraborty told reporters here yesterday that the special courts envisaged under the ordinance would have sweeping powers even to the extent of trying general criminal cases. This, Mr Chakraborty said was a "clear infringement on the constitutional status of the States".

The Tripura Pradesh Congress (I) president, Mr Asok Bhattacharjee, however, welcomed the ordinance and said that it should immediately be extended to the whole of Tripura "in view of the State Government's failure to check the growing extremist menace".

CSO: 4600/107D

## SUBRAMANIAM SWAMY FORMS NEW POLITICAL PARTY

Bombay THE TIMES OF INDIA in English 17 Jul 84 p 1

[Text] NEW DELHI, July 16. Dr. Subramaniam Swamy, MP, who was recently expelled from the Janata Party, of which he was the deputy leader of the parliamentary wing, today announced the formation of a new political party.

Named the Hindustan Praja Party, Dr. Swamy has become its ad hoc president. He will tour the country for the next one month to set up ad hoc state committees to complete its organisational structure.

On August 15, he will issue a policy statement expounding the ideology and programme of the party spelling out in what way it differed from the ruling Congress as well as the Janata or other opposition parties.

Dr. Swamy, through the formation of the new party, wants to give a "new ideology" to the country. According to him, the Janata Party failed to offer an "ideologically clear programme" to the people. The party remained a "confused babble" where leaders spoke one thing one day and contradicted themselves the next day.

On the other hand, the Congress under Mr. Nehru and Mrs. Indira Gandhi "ushered in a programme of socialism". This programme, according to him, "has led to corruption, unemployment and inefficiency. Because of this, the human being in India is becoming debased. This rot has to be stopped."

There was now need for a new party because all the opposition parties were propagating the same programme of the Congress which had failed. The new party would be based on the principles of nationalism and humanism.

Dr. Swamy claimed that he had obtained the active support in his new venture from middle-level leaders of the Janata Party.

PTI adds: At a two-day meeting here of Dr. Swamy's supporters, it was decided to hold the first convention of the new party on Vijaya Dashami day to formally launch it with a constitution, flag and emblem.

CSO: 4600/1069

## ANALYST DISCUSSES HANDLING OF PUNJAB SITUATION

Madras THE HINDU in English 15 Jul 84 p 1

[Article by G. K. Reddy]

[Text]

NEW DELHI, July 14.

The Central Government is taking extraordinary precautions to prevent violent incidents in Punjab on Monday, when the Akalis propose to take out processions in different towns protesting against the continued army presence in the Golden Temple.

The army and para military forces deployed in Punjab have been alerted to be ready to deal firmly with any acts of violence in the course of the threatened protest marches in Amritsar and other towns, including Chandigarh and Delhi.

As part of these precautionary measures, the Centre today promulgated what is called the Terrorist Affected Areas (Special Courts) Ordinance empowering itself to establish special tribunals for trial of those accused of certain specific offences which impinge on the security and territorial integrity of the country or any part of it. The ordinance, which extends to the whole country except Jammu and Kashmir because of certain constitutional limitations, is intended to cope with law and order problems in States like Punjab or the North-East region where the normal judicial processes have been impaired by insurgency or terrorism.

The ordinance further empowers the Centre to set up such special courts outside the States concerned to try certain cases like waging war against the State, abetting mutiny, promoting hatred between communities and classes or inciting murder or violence, if the respective State Governments made such a recommendation. These courts will be presided over by a serving District and Sessions Judge, who will be appointed by the Centre with the concurrence of the Chief Justice of the State.

**Centralised command:** A control room has been set up in Delhi and the necessary communications laid on to monitor the movements of the "jathas" and order appropriate action from a centralised command point so that there is no scope for any

undue leniency or over-reaction at the local level in different districts.

The army and para military forces have been asked to be ready with plans to clamp down statewide curfew, as was done on the eve of the military action last month, if there was a fear of defiance of prohibitory orders by the protest marchers who have already started congregating in small numbers at different places in the State.

The way the martyrs' day processions in Kashmir were frustrated yesterday by the Central and State authorities with a combination of curfew and ban on vehicular movements, including cancellation of air services, is seen as a successful field test of similar steps proposed to be taken in Punjab on Monday along with some other measures. The Centre is in no mood to relent at present from its refusal to withdraw the army completely from Punjab, although the thinning out of some of the units is continuing despite the threat of a renewed agitation.

**Taking moderates' help:** But in taking this firm stand the authorities in Delhi appear to be unwittingly restricting their own flexibility in refusing to restore possession of the damaged Akal Takht to the head priests with the result that some hardliners among the Akalis are already talking of preserving the battered building in its present form, like the famous Cathedral in Berlin, as a painful reminder to future generations of what happened to this holy structure. There is thus every danger of the initiative passing once again into the hands of the hotheads if no timely steps are taken to associate the more moderate Sikh leadership with the repair work of Akal Takht.

It is in this context that some men of goodwill, both Hindus and Sikhs, have come forward with the suggestion that the army should withdraw from the Golden Temple complex but remain in the surrounding area to prevent the misuse of the premises for propagating violence or storing arms again.

## COMMISSIONER DISCUSSES PREPARATIONS FOR ELECTIONS

Calcutta THE STATESMAN in English 18 Jul 84 pp 1, 9

[Text] NEW DELHI, July 17.--The election machinery is being geared to hold the Lok Sabha polls "even at short notice". This was indicated here today by the Chief Election Commissioner, Mr R. K. Trivedi, while talking to reporters at the end of the three-day conference of chief electoral officers.

He said the Commission needed 35 days' notice under the law. In addition, it would require a week's time to convey the fact to the political parties.

From his answers to questions, it was clear the next Lok Sabha elections would be no different from the earlier ones so far as the attendant ills were concerned.

While conceding the need to keep out money power, misuse of official machinery and appointment of regional commissioners, the Chief Election Commissioner made it clear that in the absence of any radical changes in the electoral laws or the faithful implementation of the model code--of which there was as yet no evidence--the next General Elections would follow the pattern of the earlier ones.

In one respect, though, the next elections would be different--the number of voters would be 350 million, the largest anywhere in the world. To enable such a large number to vote, the administrative expenses incurred by the parties and candidates would be around Rs 72 crores.

#### Duplication

If the suggestion of the Commission to hold elections to the Lok Sabha and the State Assemblies simultaneously were to be accepted, duplication of expenses could be avoided, Mr Trivedi said.

As far as revision of electoral rolls were concerned, he said this had been completed in all the States except Assam. The Commission had been told by the State Government that it would take up revision of rolls after completion of work by the tribunals appointed under the Illegal Migrants Act. But the few tribunals that had been set up were yet to start working. The Assam Government

had also suggested that the names of foreigners identified by the tribunals be deleted from the electoral rolls of 1979.

The State had not specifically indicated whether it would be administratively possible to undertake a special revision in terms of the suggestion made by the Commission for updating the 1971 rolls.

Mr Trivedi said the Commission would get in touch with the State Government and their final reaction would be put up before a meeting of the recognized political parties some time next month.

As regards the possible difficulties in holding elections in Punjab, Mr Trivedi said that if the improvement on the law and order front in the last fortnight was kept up, the elections process in the State need not be disrupted. However, much would depend on the situation prevailing at the time elections were called.

The chief electoral officers agreed in principle to have one-day poll in 15 States and complete the polling process within two days in the rest of the States and Union territories. The Chief Election Commissioner also proposed to write to the Chief Ministers to help the election machinery in this regard.

Mr Trivedi said the chief electoral officers wanted their requirement of additional central forces to be fully met if polling was to be completed within a day. This would need further consultation with the Home Ministry to ascertain the availability of forces vis-a-vis the law and order situation then prevailing in certain States like Punjab and Assam. "A final view will be taken at the appropriate time".

The conference also considered the question of taking effective steps against misuse of official machinery with special reference to the allegations regarding the use of aircraft, helicopters and official cars by the ruling party for election purpose.

The Government had not so far responded to the Commission's suggestion that the use of official machinery be made a corrupt practice under the law.

#### 'Blue Book'

Mr Trivedi pointed out that the use of official aircraft by the Prime Minister could not be covered under the Commission's instructions and that such use was regulated by the "Blue Book" for security reasons.

A suggestion for setting up a cell to monitor news coverage through the mass media of AIR and Doordarshan was found to be impracticable, considering that there were 92 AIR stations, the mushrooming Doordarshan kendras and any number of news bulletins from each centre. However, it had been decided to include in the model code a provision that the ruling party should not use the media to further its interests in the elections. This issue would also be further discussed at next month's meeting with political parties.

On the question of the use of the electronic machine, the Chief Election Commissioner said the Supreme Court's ruling that the present law did not allow for inclusion of such a device had stalled the use of the machine. But the Commission had asked the Government to effect a single amendment of the law; here again there had been no response yet from the Government.

On the overall question of electoral reforms, Mr Trivedi said the Commission had recently split up its recommendations into two parts and pointed out to the Government that some of the recommendations relating to the Law Ministry could be immediately implemented. But the Cabinet sub-committee on electoral reforms was said to be still deliberating on the various issues raised.

CSO: 4600/1071



# NEWSMEN TOLD PROBLEMS IN SINO-INDIAN BORDER SOLUTION

New Delhi PATRIOT in English 15 Jul 84 p 7

[Text]

Beijing, July 14 (UPI)—The Sino-Indian border dispute is the principal obstacle in the way of normalisation of relations between India and China, but it is not likely to be solved in a hurry, a senior Chinese official is reported to have told a group of visiting Indian journalists.

The boundary problem was a legacy of the British colonial period and aroused deep feelings on both sides and thus would take time to resolve. Mr Liu Shuqing, assistant minister and director of the Asian department of the Chinese foreign ministry said.

But this problem could be set aside to boost relations in the economic trade, science and technology fields, members of a delegation from the All India Small and Medium Newspapers Federation (AISMF) quoted the Chinese official as saying during an hour-long meeting with them on Wednesday.

The AISMF delegation led by its president Harbhajan Singh arrived here on 10 July on a ten-day visit at the invitation of the all China journalists association.

Mr Liu Shuqing suggested that while the Chinese side wanted to improve economic ties with India, the Indian side was not forthcoming—a charge explicitly rebutted by a spokesman of the Indian embassy here.

"It is simply not true", he said. In fact while Chinese exports to India enjoyed most favoured nation treatment, Indian exports to China were denied the same treatment, he pointed out.

He also suggested that the two countries achieve mutual understanding to accord each other most favoured nation treat-

ment, but the Chinese have insisted in a trade agreement first, he said.

Citing figures—two-way trade between India and China had dropped from 150 million US dollars in 1982 to just 60 million US dollars last year in which the Indian share of exports was a mere ten million dollars—the Indian official said these alone would show where the blame lay.

Although India had been able to identify several items the two countries could trade, there had not been any movement in the economic field.

The Chinese official Mr Liu Shuqing, said India and China had already held four rounds of talks on the boundary question and the fifth was due to be held in Beijing before the end of the year, but did not indicate precisely when.

The Chinese official said his country's present domestic situation and its plans for socialist modernisation demanded that the environment in the Asian region should be peaceful. Good neighbourly relations between India and China would contribute to such an environment, he added.

China was very much interested in building people-to-people relations and exchanges of delegations like the one of journalists, would help build bridges of understanding.

On Wednesday the All China Journalists Association hosted a lunch for the Indian journalists. They also visited the office of China's only English language newspaper 'China Daily' and English monthly 'China Reconstructs', which plans to bring out Hindi and Bengali editions shortly.

## DETAILS OF INDO-SOVIET COAL PROTOCOL TOLD

Madras THE HINDU in English 28 Jun 84 p 6

[Text]

NEW DELHI, June 27.

Soviet assistance will be utilised by India in a big way in the coming years for both stepping up output of coal and its beneficiation.

A protocol signed by India and the Soviet Union during the recent visit of a high level team to Moscow provides for Soviet cooperation in various aspects of the coal industry.

Apart from the traditional areas of coal exploration and mining operations, Soviet technology would now be available for setting up coal washeries and for designing washeries and fabricating washery equipment.

Mr. S. B. Lal, Secretary, Department of Coal, who led the Indian team to Moscow, said the Soviet willingness to share washery technology was of great significance. No other country was willing to do so.

It was proposed to set up 14 washeries with an annual throughput of nearly 30 million tonnes of coking coal in the next 10 years. The estimated cost was Rs. 725 crores.

It was also proposed to build up capacity to wash 55 million tonnes of non-coking coal a year at an estimated investment of Rs. 600 crores.

**Impurities:** In view of the high proportion of impurities in Indian coal it was now becoming

increasingly clear that consumers would in future prefer washed coal not only for use in coke ovens of steel mills but also in the boilers of power plants.

Already, the National Aluminium Company has agreed to take washed coal for its upcoming giant power house. Hence the emphasis on coal beneficiation before use.

Mr. Lal said equipment worth Rs. 200 crores for new coal washeries had been ordered with various manufacturers in India. There are already 21 of them with an annual throughput of 25 million tonnes.

The understanding with the Soviet Union was that washery equipment would as far as possible be fabricated in India, though the designs would be supplied by them.

An institute for coal preparation would be set up before long with Soviet assistance because of the massive investments being proposed in the area of coal beneficiation. The Soviets would help set up the institute.

Three major projects — two of them in the Jharia coalfields and the other in the Singrauli area — were being taken up with Soviet assistance. These three projects which were likely to involve an outlay of Rs. 1,500 crores, would add 22.5 million tonnes to the annual output of coal.

CSO: 4600/1054

## JAPAN-INDIA BUSINESS COOPERATION COMMITTEE MEETS

Calcutta THE STATESMAN in English 18 Jul 84 p 9

[Text] NEW DELHI, July 17.--An attempt is to be made to raise the Indo-Japanese trade level to \$5 billion a year as soon as possible and one way in which this is to be done is to increase Indian agricultural export to Japan. A working group has been set up by the standing committee of the Japan-India Business Cooperation Committee which met in Tokyo earlier this month.

A Press release by the Federation of India Chambers of Commerce and Industry today said that the committee, at its seventh meeting, reviewed the expansion of trade in such sectors as engineering goods, agricultural products, ready-made garments and household furnishing, iron ore and marine products.

It was felt that items such as hand, small and cutting tools, forgings and castings, diesel engines and parts, surgical, medical and scientific instruments and aluminium foils held great potential as export items.

Apart from cotton garments, an effort has to be made to promote exports of woollen, silk and leather wear of good quality for which a large demand exists in Japan, the committee said. In addition, more active publicity is needed for carpets, especially to compete with Chinese products, and to modify them to suit Japanese preferences.

Exports of marine products had to be diversified. On joint ventures, it was felt that to begin with, chartering of vessels should be started and then followed up with deep-sea fishing.

Japanese technology was sought for deep drilling, developing geothermal energy for non-electrical purposes and low-pressure turbines. Collaboration was also sought in solar energy.

The Japanese delegation mentioned the possibility of importing heavy sand mineral such as rutile, zircon, garnet and high-quality quartz from India.

It was noted with satisfaction that there had been considerable improvement in Japanese investment, technology transfers and collaborations in India in the past two years and this had provided a good base for further growth in this direction. A number of new areas were identified where Japanese technology should be forthcoming. These included electronics, industrial machinery, power, telecommunications and steel.

## DEVELOPMENTS IN RELATIONS WITH PAKISTAN DISCUSSED

## Differences in Approach

Madras THE HINDU in English 16 Jul 84 p 1

[Text]

NEW DELHI, July 15.

The Foreign Secretary of Pakistan, Mr. Niaz Naik, is arriving in Delhi on Wednesday, July 18, to resume the protracted dialogue with his Indian counterpart, Mr. M. K. Rasgotra, on how to synthesize the twin proposals for a simple no-war pact and a more comprehensive treaty of peace, friendship and cooperation.

At their last two rounds of talks in Udaipur and Islamabad, the two Foreign Secretaries have not been able to reconcile the fundamental differences between their Governments on the basic perceptions of a broad-based understanding that holds out the prospect of positive cooperation without confining the accord to the negative concept of non-aggression.

The two big hurdles to the fusion of the two drafts into a single document for further negotiations is the Pakistani refusal to go along with the Indian plea for basing this treaty or agreement on the principles of bilateralism and non-alignment. It is highly unlikely that these basic differences would be narrowed, let alone overcome, during these talks in Delhi, since the relations between the two countries have been strained by the Punjab crisis, since the two Foreign Secretaries met in Islamabad in April.

**Indian interpretation:** The Indian interpretation of bilateralism is that all outstanding disputes, including the Kashmir issue, should be resolved only through direct negotiations without any outside involvement or interference. The Government of India is equally firm in its insistence on a parallel commitment by both countries that, as non-aligned countries, they would neither enter into military pacts with other countries nor lease any bases to them under any pretext.

The Pakistani Government continues to maintain that these two conditions laid down by India go beyond the scope of a non-aggression pact and impinge on its sovereignty as an independent country and its rights and obligations as a member of the United Nations. It has been stressing that the Simla agreement itself had stipulated quite clearly that the relations between the two countries should be

governed by the principles and purposes of the U.N. Charter and that they should settle their disputes through bilateral negotiations or other peaceful means mutually agreed upon between them.

**Kashmir issue:** The implication of this Pakistani contention is that, if an issue like Kashmir cannot be settled through bilateral negotiations, it should have the inherent right to take the issue to the U.N. again in terms of its Charter rights and the provisions of the Simla agreement. The farthest that Pakistan is prepared to go in stretching the principle of bilateralism to accommodate the Indian stand is to blur the reference by avoiding the use of any expression that could be interpreted even remotely as implying that all disputes, including the Kashmir issue, should be settled exclusively by direct negotiations.

**Lease of bases, military facilities:** The Pakistani Government has been no less vehement in its refusal to make any categorical commitment through a treaty or agreement that it will not lease bases to other countries or allow the use of its military facilities by other powers for whatever purpose. It has declined to go along with this Indian suggestion saying that no sovereign nation could be expected to enter into such an undertaking which no other non-aligned country is called upon to do so or voluntarily infringe its own rights under the U.N. Charter which does not bar member-countries from seeking the aid of other countries for its self-defence.

**No exclusive commitment:** At the previous rounds of talks on these two sensitive points, the Pakistani Foreign Secretary had assured India that his Government was keen on settling all outstanding disputes including the Kashmir issue through bilateral negotiations as far as possible, but he was not prepared to commit his country to do so exclusively by this means as part of a treaty commitment with India. Similarly, he had been saying that Pakistan had no intention at all of entering into fresh military pacts or leasing bases, but it could not infringe its own sovereign rights by forsaking this right as a treaty obligation to induce India to enter into a no-war pact.

**Near deadlock:** There is thus a near deadlock over these two crucial points and India is not prepared to put a gloss on these basic differences over the very purpose of a no-war pact by playing with words or using phraseology that might further dilute the principle of bilateralism that is the very basis of the Simla agreement. The Government of India is keeping the door open and continuing the dialogue for what it is worth despite the obduracy of Pakistan, because it does not want to be accused of calling off abruptly the search for better relations.

**'Complicity' in Punjab crisis:** The Indian authorities have highly incriminating evidence of Pakistan's complicity in the Punjab crisis, obtained through painstaking interrogation of the arrested terrorists and gathered from other sources. Though it has not been disclosed

in the white paper or other official documents, the Government proposes to confront Pakistan with this damaging material at some stage to prove its mala fide in talking glibly of a no-war pact and encouraging insurgency clandestinely at the same time, to erode the very basis for a non-aggression agreement or a broad-based treaty of peace, friendship and cooperation.

**Pak. press attitude:** The Indian position is that there can be no worthwhile peace treaty or no-war pact without some degree of mutual confidence. The way the Government-controlled press and radio in Pakistan have been ranting and gloating over the developments in Punjab, to the extent of even lionising the hijackers, has certainly undermined India's faith in Pakistan's intentions.

### Reasons for Deferment of Talks

Madras THE HINDU in English 17 Jul 84 p 1

[Article by G. K. Reddy]

NEW DELHI, July 16.

[Text]

It has been decided at the highest level to take a fresh look at the totality of India's present relationship with Pakistan, before engaging in any further dialogue on the no-war proposal or other inter-related problems of normalisation.

Consequently, the visits to Delhi by the Foreign Secretary of Pakistan, Mr. Niaz Naik, from Wednesday for follow-up discussions on the no-war issue and the Foreign Minister, Mr. Yaqub Ali Khan, for the second ministerial meeting of the Joint Commission early next month have been deferred till after September with no firm indication of when these would take place.

**Time for assessment:** An official spokesman, who announced the postponement of the two visits, said that as there had been many Indo-Pakistani exchanges both at official and ministerial levels in the last few weeks — in Delhi, Islamabad and Male — it was felt that "we should allow ourselves a little time to assess the results of these contacts before proceeding further" with the process of normalisation.

It was pointed out that the Foreign Secretary, Mr. M. K. Rasgotra, went to Islamabad in May after Mr. Niaz Naik's earlier visit to Delhi, the two Foreign Ministers, Mr. P. V. Narasimha Rao and Mr. Yaqub Ali Khan, travelled together to Maldives for the SARC meeting and had many opportunities to talk of bilateral problems, and the Information and Broadcasting Minister, Mr. H. K. L. Bhagat, had just been to Pakistan on a goodwill visit. But the two Governments were not unaware of these frequent contacts when they agreed that the two Foreign Secretaries should meet in Delhi this week to continue the no-war talks and that the Foreign Ministers should get together on August 6 for the meeting of the Joint Commission.

**Fresh look:** The obvious inference that is being drawn by diplomatic circles is that the Indo-Pakistan dialogue has again run into rough weather in the wake of the Punjab crisis and the many unanswered questions left by the hijacking episode. The two developments together have evidently led to the Indian decision to take a fresh look at the totality of Indo-

Pakistan relationship before proceeding further with this dialogue.

If the proposed meetings of the two Foreign Secretaries and the Foreign Ministers have been deferred till after September, it is highly unlikely that these would be held in October or November on the eve of the parliamentary elections, unless there is a marked improvement in the meantime in Indo-Pakistan relations. There is, on the contrary, every likelihood of further strains developing as the interrogation of the arrested terrorists leads to more damaging disclosures of Pakistan's deep involvement in the Punjab developments.

**A key factor:** The sudden postponement of the scheduled talks between the two Foreign Secretaries at such short notice barely two days before the expected arrival of Mr. Naik in Delhi, much more than the decision to defer the ministerial meeting of the Joint Commission next month, reflects a marked hardening of the Indian attitude. One of the factors that influenced the Indian decision is the perverse glee with which the Pakistan press continues to gloat over the Punjab developments in utter disregard of the understanding reached by the Information Ministers of the two countries only a week ago to desist from such propaganda campaigns.

The visit of Mr. Bhagat, which was postponed earlier following the expulsion of two Indian Airlines employees from Lahore, was almost deferred for the second time after the Defence Minister of Pakistan, Mr. Mir Ali Ahmed Talpur, made a highly intemperate attack accusing India of ill-treating its minorities and intimidating the neighbouring nations. But it was decided by the Prime Minister herself that Mr. Bhagat should go ahead with his visit if only to keep up the political contacts between the two countries even if nothing was going to be achieved in the present circumstances.

**Weighty reasons:** So the Government must have had some weighty reasons to put off the no-war talks for the present and postpone the next meeting or the Joint Commission by reversing the very arguments that were used for proceeding with Mr. Bhagat's visit. It cannot be easily explained away with the bland assertion that the two meetings have been deferred through mutual consent.

## PAKISTAN WARNED AGAINST INCURSIONS IN NUBRA VALLEY

Madras THE HINDU in English 28 Jun 84 p 1

[Article by G. K. Reddy]

[Text] NEW DELHI, June 27. The Government of India has not been publicising the recent border incidents along the line of actual control in Nubra valley in the Ladakh sector of Kashmir, while taking the necessary steps to thwart any renewed attempts by the Pakistan troops to dislodge or outflank the Indian forces in this highly strategic salient that has considerable geopolitical importance.

The first Pakistani attempt to occupy the infrequently patrolled upper reaches of the Nubra valley at the confluence of the Nubra and Shyok rivers, leading to the Siachen glacier, was made in late April when the area was still covered by snow, but the intruding troops were repulsed by the Indian forces after a heavy exchange of fire.

During his visit to Islamabad last month, the Foreign Secretary, Mr. M. K. Rasgotra, took up this matter directly with Lt. Gen. Arif Khan, Vice Chief of the Army Staff, who as Gen. Zia-ul-Haq's trusted deputy, is in effective command of the Pakistan Army. He was told that the Government of India took a serious view of this violation of the line of actual control in this highly strategic area, which went against the spirit of the Simla agreement that enjoined both countries not to resort to any such unilateral action to alter the line.

Despite this strong plea by India for preservation of status quo in all sectors along the line of actual control, the Pakistani troops have tried to occupy some vital positions on the Indian side in the Nubra valley about ten days back, claiming that the previous ceasefire line which was later transformed into a line of actual control had left the upper reaches of this valley leading to the Siachen glacier undemarcated and, therefore, open to conflicting claims. The local Pakistan commanders went to the extent of accusing India of secretly extending its control across the non-existent line to gain strategic advantage in this disputed region.

### **Insidious Attempt**

The present Indian positions in the Nubra valley and its upper reaches, it was claimed, were only 150 km. away as the crow flies from the Karakoram highway skirting the adjacent glacier area that includes some of the highest mountains in the world, including K-2 (Mount Godwin Austin), Nanga Parbat and Rakaposhi, thus posing a threat to the security of Pakistan. But this plea of high strategic compulsions was only a cover for an insidious attempt to gain a firm foothold on the upper reaches of the Nubra valley to dominate the Indian lines of communication running close to the line of actual control, which were essential for the country's defences against the Chinese forces in the northern region.

### **Strategic Area**

The cluster of high mountains, glaciers and river valleys in this region constitutes geopolitically one of the most important strategic areas in the world today, since the Himalayas, the Karakoram and the Hindukush meet there. The frontiers of five countries--India, China, the Soviet Union, Pakistan and Afghanistan--also converge in this region.

It is for this reason that India cannot afford to let Pakistan gain fuller control of this area by quietly nibbling away at some of its forward positions in the Nubra valley along the line of actual control, while China remains in occupation of the valleys of the other river systems in Ladakh to the south of the Karakoram. So Pakistan has been told privately that India will not tolerate any further incursions into the Nubra valley which will continue to be defended at all costs.

The present Indian policy is to keep up the dialogue with Pakistan on political matters including the twin purposes for a comprehensive friendship treaty and a simple no-war pact, and continue the vigilance against any possible military threats or acts of subversion. It is in pursuit of this two-pronged approach that the Government has been saying what is needed to be said about Pakistan's involvement in the Punjab crisis and its bid to acquire a nuclear capability, without interrupting the political dialogue even if nothing is going to come out of it in the near future.

CSO: 4600/1054

OUTLAWING OF MIZO NATIONAL FRONT AND ARMY UPHELD

Bombay THE TIMES OF INDIA in English 17 Jul 84 p 7

[Text] NEW DELHI, July 16 (UNI). MR. Justice T. C. Das of Gauhati high court, constituting a one-man tribunal, today upheld the government order declaring the Mizo National Front and its armed wing, Mizo National Army, as unlawful organisations.

In its order, the tribunal held that the activities of the organisations were "clearly secessionist in nature and as such the government of India was clearly justified" in declaring them unlawful associations in terms of Section 3 of the Unlawful Activities (Prevention) Act.

The tribunal was constituted under the 1967 act to adjudicate the legality of the government notification dated January 20, 1984, in terms of Section 4 of the act.

A press release issued by the tribunal's registrar said that after consideration of the evidence on record, the tribunal found that the MNF and MNA wanted to form an independent state of Mizoram and its adjoining areas inhabited by the Kukis and the Mizos outside the Union of India.

For that purpose, it said, they had adopted a constitution of their own, organised a parallel government, indulged in illegal and forcible collection of taxes, indulged in looting, intimidation and murder of civilian population and security forces, and established contact with foreign countries for obtaining financial assistance and armed training for achieving their avowed object.

During the adjudication, Mr. Justice Das received two affidavits and a large number of documents in justification for the issue of the notification.

The tribunal framed five issues on their basis. In its three sittings, it examined four witnesses, including Mr. I. P. Gupta, then joint secretary in the Union home ministry, and Mr. L. R. Laskar, deputy secretary in the home department of the Mizoram government, and exhibited 64 documents.

The tribunal was assisted by supreme court advocate A. R. Barthakur and advocate P. Borthakur on behalf of the Union government and the Mizoram government.

CSO: 4600/1069



## WRITER QUESTIONS PRIORITIES IN SPACE RESEARCH

Calcutta THE STATESMAN in English 17 Jul 84 p 8

[Article by K. P. Prakasam]

[Text] AFTER the spectacular space flight by Rakesh Sharma in a Soviet space-craft in April this year, Indian space scientists are warming up for the next venture, launching of a cosmic ray detector Anuradha. In November the European Space Agency's Space-lab-3 will carry it to space in the hold of the third American space shuttle, Discovery. The first Indian cosmonaut was hurt when a newspaper described his venture as a "piggy-back ride". Sensitive only to cosmic rays, Anuradha will not react in that way, though the Rs 40-lakh equipment will be getting a piggy-back ride, but not a free one at that.

The 50-kilo flight model of Anuradha has been tested and approved by scientists of the National Aeronautical and Space Administration of the USA. Professor Biswas of the Tata Institute of Fundamental Research, the principal investigator who had accompanied Anuradha to NASA, said in New Delhi on his return on June 25 that this pure science experiment would help understand the origin of cosmic rays and, in turn, throw a new light on such questions as the origin of life.

No one is disputing the need for conducting pure science experiments. Nor is any one advocating that all such research should be left to the affluent countries. The point is, why should we seek foreign aid when we have the capability to orbit this small payload and pay for it? The Indian rocket SLV-3 orbited the 35-kilo-class Rohini satellite in April 1983. An improved version of it, to launch a payload of up to 150 kg., is in an advanced stage of development. At any rate, the LSV-3 can, without any modification, place a 40-kg payload in an orbit high enough to be free from atmospheric interference, a prime condition for cosmic ray research. The fact that this possibility is not even contemplated by our space programme planners brings into sharp focus basic lacunae in our space plan priorities.

The situation is pathetic. On the one hand, the Prime Minister, in every speech, exhorts scientists to be self-reliant in space research. On the other, space policy planners at the Department of Space go their ways for piggy-back rides and cheap thrills. Their usual excuse for this is paucity of funds. A glance at our space budget and expenditure for the past few years would reveal that funds are not very much lacking. But wrong priorities and lack of vision and purposeful planning stand in the way of space research development.

Allocations for the DOS have been steadily increasing for the past few years. The space budget, which was a mere Rs 4.965 lakhs in 1978-79 and which stood at Rs 9.473 lakhs in 1982-83, got a boost to Rs 16,655 lakhs in 1983-84. Such a rise should have taken the country substantially on the way to self-reliance both in space hardware and technology.

### Limitations

Space research has its own limitations. No country, for love or for money, would part with its space know-how because of its military implications. A rocket booster, for instance, can as well be made into a formidable inter-continental ballistic missile. It is in the field of booster development that slow peddling is going on. According to DOS plans, it would take another decade to develop the capability to launch an Aryabhata-class satellite by Indian rocket. Some Indian scientists even openly come out with the suicidal idea that we need not develop our booster rockets since our space probes can be launched by the USA or the USSR.

Our satellites Aryabhata, Bhaskara and the SEO-2, were all launched by the Soviets. The first Satellite Instructional Television Programme of 1977-78 was carried out with the help of the Franco-German Symphone satellite. The Ariane Passenger Payload experiment of June 1981, the first indigenous geostationary communication satellite, was flown on the third development flight of the Ariane launcher of the European Space Agency. The much-trumpeted INSAT-1 communication satellites (the first failed and the second is now in orbit) were built by the Ford Aerospace Foundation and launched by NASA. The next major satellite for earth resources survey (900 kg) is to be launched by the USSR in 1985. In spite of all this, we claim ourselves to be a space power.

It is not suggested even remotely that we should not accept assistance from advanced countries. In fact many problems of present-day space research call for greater international cooperation. The point is that we should realize the limitations of foreign assistance and determine priorities accordingly. To become a space power, the primary thing a country needs is a launcher, a powerful booster rocket. It was the development of powerful rockets that enabled the USSR to win the race to enter space and become the first to orbit the Sputnik and the first man.

### Rockets

In the early days of space exploration, enthusiastic Indian scientists began experimenting with toy-like rockets in the vacated St Joseph's Church in Trivandrum which later became the nucleus of the Vikram Sarabhai Space Research Centre. But poor incentives, paucity of funds and lack of perspective on the part of the authorities killed this initiative. It took more than a decade to make the four-stage solid fuel rocket SLV-3 which was flight-tested on August 10, 1979 (a failure) and which placed a 35-kg satellite Rohini in orbit on July 18, 1980.

The Vikram Sarabhai Space Research Centre in Trivandrum is the nucleus of Indian rocket research. It comprises six major units, the Space Science and Technology Centre, the Thumba Equatorial Rocket Launching Station, the Rocket Fabrication Facility, the Rocket Propellant Plant, the Propellant Fuel Complex, the Reinforced Plastics Centre and the Ammonium Perchlorate Experimental Plant (at Alwaye). This is, by far, the largest of the ISRO centres, and is of vital importance

But this importance is not reflected in the allotment of funds. In the 1983-84 budget, for instance VSSC received only Rs 5,365 lakhs while the INSAT project alone got Rs 5,983 lakhs. During the period from 1977-78 to 1983-85 VSSC received Rs 16,936 lakhs, whereas the INSAT project used Rs 15,395 lakhs. While there has been a steady increase in the allocations in the past five years, from a mere Rs 4,965 lakhs to an impressive Rs 16,655 lakhs, the increase has gone mainly for establishment expenses. At any rate, it has not gone into basic research. It is criminal to spend Rs 15,395 lakhs on a communication project whose capacity the country is not in a position to make use of even 50 per cent.

If we really mean to make our space research worth the candle, the first thing to do is to scrap show-case projects and stop knocking at the doors of space powers with a begging bowl, but invest in concrete projects which would give our young scientists an opportunity to develop their talents and which would in the long run benefit the country. Over the years, enough has been spent on building the space infrastructure. The need now is to speed up the booster capability which is essential even from the points of view of the country's defence requirements, especially at a time when anti-ballistic missile defence systems, killer satellites, laser and particle beam weapons take up the place of conventional arms and when the world is being pushed into a space war situation.

CSO: 4600/1070

## INDIA ASKS MORE FUNDS TO PROMOTE THIRD WORLD FISHERIES

Madras THE HINDU in English 29 Jun 84 p 5

[Text]

ROME: June 28.

India has called for increased flow of funds from international and regional financing institutions for promotion of aquaculture in the developing countries to fight hunger and malnutrition.

Addressing the world conference on fisheries at the headquarters of the FAO here on Wednesday the Union Agriculture Minister, Rao Birendra Singh, said he particularly wanted the World Bank to rearrange its priorities to give a higher place to development of inland fisheries and create better infrastructure facilities for traditional fishermen communities in the coastal areas.

International funding agencies and the FAO should draw up an ambitious plan for Asia, Africa and Latin America to boost fish production through aquaculture, he said.

**International Year of Aquaculture:** India urged the FAO to declare 1985 as the International Year of Aquaculture. Such a declaration, "even at the cost of putting off some other programmes," would be a fitting climax to the conference, Mr. Birendra Singh said.

Underscoring the immense unexploited potential of aquaculture in these continents, Mr. Birendra Singh said recent innovations in technology relating to management, feeding, domestication and breeding of new species made aquaculture an attractive proposition. Its advantages were low costs, dependable captive supplies, and, most important, its potential for integration with farming system.

Mr. Birendra Singh pointed out that in countries like India, fish contributed more than 50 per cent of the animal protein-intake, excluding milk. In Asia, over a billion people relied on fish for their primary source of protein. Asia also accounted for 45.5 per cent of

the world fish catch.

**Overexploitation:** The rising gap between supply and demand for fish, estimated to go up to 20 million tonnes by the end of the century, coupled with the declining trend in growth rate of fish production, was a cause of anxiety for all. Besides, coastal fisheries were under pressure of over-exploitation. It was under the threat of complete depletion by large scale trawler operations, which would deprive millions of traditional fishermen of their livelihood. Pollution in rivers and lakes was also on the increase, degrading natural aquatic fauna. Outlining the research base built in India for fisheries development, Mr. Birendra Singh offered to share the facilities in its research institutes with the member countries of FAO — UNI.

CSO: 4600/1053

## BRIEFS

**INDO-CZECH CULTURAL PROGRAM--NEW DELHI, July 14.**--India and Czechoslovakia yesterday signed a programme of cultural, scientific and technical cooperation for 1984-86, reports PTI. The new cultural exchange programme provides for continuance of the existing links between universities and institutions of higher learning in India and Czechoslovakia. [Text] [Calcutta THE SUNDAY STATESMAN in English 15 Jul 84 p 7]

**ANDHRA CHIEF MINISTER ILL--NEW YORK, July 18.** The Chief Minister of Andhra Pradesh, Mr. N. T. Rama Rao, underwent a bypass heart surgery at the Texas Heart Institute in Houston this morning. According to a senior Andhra Pradesh Government official, the surgery, conducted by Dr. Denton Cooley, was successful. The Chief Minister is doing very well after the surgery, the official said in a statement. Mr. Rama Rao is expected to be in the intensive care unit for a day or two. [Text] [Madras THE HINDU in English 19 Jul 84 p 1]

**BENGAL NAXALITES--CALCUTTA, July 18.** The West Bengal police have been alerted by the State Government about the increasing menace posed by naxalites and other extremist groups in different districts. This follows reports of a naxalite regrouping and even resurgence in parts of the State and neighbouring Bihar. Reports of increased extremists activity had been received from Midnapore, Purulia and Nadia, as well as from parts of Bihar and Orissa. An official spokesman said the Government was studying reports of a merger between naxalites of four States a couple of days ago, with the initiative of two extremists leaders of the State. Efforts were also on to ensure the involvement of the S.N. Singh group of extremists in a coordinated programme. Most extremist groups in the State were opposed to the programme of individual assassination and terrorism, as proposed till recently by the Binod Mishra group. The last major outbreak of naxalite activity in the area was in Nadia district of West Bengal, as well as West Dinapur. [Text] [Madras THE HINDU in English 19 Jul 84 p 1]

**MUSLIMS IN URSS--MOSCOW, July 14 (PTI):** A delegation of Indian muslims is in the Soviet Union at the invitation of the Muslim board of Central Asia and Kazakhstan, reports Tass. The delegation is led by Dr. Syed Asrarul Haque, a member of the Indian parliament. The members of the delegation, yesterday, attended the Friday namaz at a Moscow mosque. Besides Moscow, the delegation will visit Leningrad and Baku. They will also spend several days in Uzbekistan. [Text] [Bombay THE TIMES OF INDIA in English 15 Jul 84 p 5]

APPROVAL FOR MITSUBISHI--TOKYO, July 4 (UNI-DPA): Japan's fourth largest automobile manufacturer, Mitsubishi motors corporation has received the Indian government's approval for the manufacture of trucks in India. A Mitsubishi spokesman said today the planned venture with the New Delhi-based tractor manufacturer, Eicher, called for an annual production of 12,000 units of Mitsubishi's three-tonne truck, Canter. The assembly unit will be built in Madhya Pradesh with the production slated for autumn next year. [Text] [Bombay THE TIMES OF INDIA in English 5 Jul 84 p 9]

SUPPORT FOR NAMIBIA--New Delhi, July 24 (UNI): The Union Government today criticised the South African regime for its apartheid policy which has led to aggression and attempts at destabilising states bordering South Africa. In a statement, the Government said it had noted developments in the Southern African region over the past few months and it believed that the root cause of their problems was the apartheid policy of South Africa. "The Government of India has always supported and would continue to support, the liberation movements in South Africa and Namibia, by extending to them political, moral, diplomatic and material support in accordance with its capacity," the statement said. "The Indian Government reiterates its support for the UN Security Council Resolution 435 as the basis for working out the independence of Namibia. [Text] [Calcutta THE TELEGRAPH in English 25 Jul 84 p 5]

INDIGENOUS TITANIUM TUBES--Hyderabad, June 27L (&NI): The Nuclear Fuel Complex (NFC) here has, for the first time in the country, produced seamless titanium tubes of 25.44 mm thickness. Dr N. Kondala Rao, chief executive of the NFC, said the technology used for this purpose was developed at the NFC for the production of seamless zirconium tubes. The possibility of indigenous production of titanium tubes was established yesterday with a successful trial production at NFC. Titanium tubes, widely used in condensers, power generation, chemical industries and space programmes, were till now being imported. [Text] [Calcutta THE TELEGRAPH in English 28 Jun 84 p 9]

PAKISTANI SPY RING--Poonch, July 26 (PTI)--With the arrest of three persons, the Jammu and Kashmir counter intelligence wing of police today claimed to have busted a Pakistani espionage ring active in the border area of Poonch for the past five years. Official sources said that the three were ambushed by a special unit of the force near village Kharicharmsal on the line of actual control while they were crossing into Pakistan-held area of the State. Police seized some vital documents and bottles of liquor from them. [Text] [New Delhi PATRIOT in English 23 Jul 84 p 8]

HELICOPTERS FROM FRG--The Government has entered into an agreement with a West German firm for manufacture of twin-engine armed light helicopter, Defence Minister R Venkataraman told the Rajya Sabha on Tuesday, reports UNI. He said the 1970 agreement with a French firm for a single-engine helicopter was allowed to lapse after ten years as the helicopter was considered unsuitable for present requirements. He said Rs eight crore had been spent on the French contract. The French project had not been able to get underway immediately because of the Bangladesh war in 1971 and financial constraints in 1972-73. The committee on political affairs reviewed the project in 1976 and the

single-engine configuration was changed to twin-engine in 1979. However, progressive advancements in design concepts rendered an immediate decision difficult, Mr Venkataraman said. The French project was to cost Rs 23 crore. The total estimated cost at the 1975-76 price level had risen to Rs 41.05 crore. The cost for the twin-engine configuration at the 1978-79 price level was Rs 51.19 crore. The present estimated cost at the 1982-83 price level is Rs 94.87 crore. The agreement with MBB of West Germany was signed on 21 July this year for design and development collaboration. [Text] [New Delhi PATRIOT in English 25 Jul 84 p 5]

INDO-PRC TEA VENTURE--Beijing, June 27 (PTI)--The two of the world's major tea producers, India and China have decided joint endeavours to promote unity and cooperation among all the tea producing countries. The accord emerged from discussions held here last week by a five-member Indian official delegation which came to explore the possibility of reaching a tea agreement on the eve of the forthcoming UNCTAD meet at Geneva. The delegation led by additional secretary in the Commerce Ministry V C Pande came here after a similar mission to Sri Lanka another major tea producer. Though no formal agreement was initialled, the Indian and Chinese sides are reported to have agreed to strengthen cooperation adopting common measures for protection of the interests of the tea producing exporting countries. A Chinese counterpart team was invited to visit India later this year and it was agreed to initiate a programme of mutual exchange of personnel of the tea industry beginning 1985. The two sides also agreed to exchange information on tea on a regular and continuing basis. The Chinese side at the talks was led by Mr Sunlianghu, the vice-chairman of the state-owned China National Native Produce and Animal By-products Import and Export Corporation. The Indian team will also visit tea research stations and tea gardens in Hangzhou, Zhejiang and Guangzhou in Guangdong provinces on China's east and south coasts. [Text] [New Delhi PATRIOT in English 28 Jun 84 p 2]

CSO: 4600/1084

# TEHRAN SEEKS 'CEILING FOR TRADE EXCHANGE' WITH ATHENS

Tehran TEHRAN TIMES in English 1 Aug 84 p 2

[Text] TEHRAN--A 12-man economic delegation from Greece led by that country's energy and natural resources minister, Evangelos Kouloumbis, arrived in Tehran yesterday, morning.

The Greek delegation was welcomed at Mehrabad Airport by deputy oil minister, Abbas Honardust who told IRNA that the visit was for the resumption of oil sales of Iran to Greece.

Honardust added that the Greek minister would meet the Iranian oil minister, Mohammad Gharazi, and other high, ranking officials. The topic of talks, he added, will be finding "a ceiling for trade exchange" between the two countries.

He went on by saying that Greece's consumption of oil was 240,000 to 250,000 barrels per day, totally imported from foreign countries.

Kouloumbis told IRNA that as an envoy of his country, his mission was to negotiate with Iranian officials the expansion of bilateral trade exchange and hoped that he would sign a contract with Iran for the purchasing of oil of approximately one million tons per year.

He said that his visit also had political aspects and the delegation's visit could be a suitable start for the expansion of friendly relations between the two countries. He added that his visit was also in response to the Iranian oil minister's visit to Greece.

The volume of exchange between the Islamic Republic and Greece was 130 million dollars in 1983 and the terms of trade were in favour of Iran.

The Greek delegation is comprised of economic representatives from various ministries, who will also discuss the sale of "Greek fabricated goods to Iran," IRNA said.

Another Greek delegation including representative from private sectors and government-owned sectors had arrived in Tehran on Friday.



Meanwhile, a later report said, Evangelos Kouloumbis along with his country's commercial and oil ministry officials, met and conferred with Iranian Oil Minister, Mohammad Gharazi, yesterday afternoon.

In this meeting which was also attended by some Iranian oil ministry officials, Kouloumbis expressed optimism on the outcome of his trip to Iran.

He said that the purpose of his trip was to negotiate with Iranian officials concerning the expansion of commercial oil relations between the two countries.

Kouloumbis, also announced his country's readiness to cooperate with Iran in the areas of ship building, exchanging of goods as well as purchasing of oil from the Islamic Republic of Iran.

Gharazi, welcoming the Greek delegation, said that the Islamic Republic is ready to hold fruitful negotiations with the Greek economic delegation.

It was decided that in order to follow up talks on mutual cooperation, tour groups composed of officials of both countries should be formed in the fields of oil, commerce shipping and construction activities and pave the way for concluding a letter of understanding between the two countries.

In this visit, the Greek mission's proposal on purchasing more than one million tons of crude oil annually was accepted pending more negotiations on this issue, IRNA reported.

CSO: 4600/706

# PORTS DEVELOPMENT PROJECTS UNDER WAY

Kuala Lumpur BUSINESS TIMES in English 20 Jul 84 p 13

[Text]

IRAN HAS launched a US\$500 million port development programme for this year — concentrating on three major locations.

According to Lloyd's List, Bandar Khomeiny, the country's largest port, needs back up facilities following an expansion programme providing 33 berths.

A new port under construction near Bandar Abbas-Bandar Shaheed Rajai — will be completed to become the country's second port.

It is being backed by a major railway construction project linking the port to the national network.

Work will go ahead on facilities at Charbahar — outside the Persian Gulf — by the country's port and shipping organisation (PSO), the country's port authority and a government agency.

Managing director, Mr Ali Mahmoodi, said investment in port development had been rising each year by about 10 per cent to reach this year's \$500 million level.

Under PSO's current five-year plan, even more funds will be needed each year until 1987 for port projects.

He said: "The development of maritime transport has been a priority. Apart from the three main ports there are smaller ports and fishing ports to develop along our 2,000 kilometre coastline."

At Bandar Khomeiny, houses and services will be built to complement the 10-year expansion programme which has brought the capacity to 13 million tonnes.

But the war with Iraq has meant that facilities are underused with only 4 million tonnes handled last year.

Few containers moved through, even though the new container terminal — so far unused — can handle up to 200,000 TEUs a year.

Once the war is over, Bandar Khomeiny's ideal position close to the population centres around Teheran will ensure that cargo will switch from southern ports, Mr Mahmoodi says.

But trade is expanding and the southern ports are

needed to cope with the influx.

Lloyd's List has also reported that Bandar Rajai, 15 km west of Bandar Abbas, will have a similar capacity to Bandar Khomeiny when completed.

Work is scheduled to end later in the Iranian year — which ends in March 1985.

Sections of the port are being used already and Mr Mahmoodi said it was 90 per cent complete.

Its container terminal would be more modern than at Bandar Khomeiny, he said.

Linked with the development of Bandar Rajai is the construction of a rail line to tie in with the country's existing network.

The extensive use of Bandar Abbas since the war with Iraq started has emphasised the need for a rail link within the rest of the country.

The railway has been brought as far south as Bafgh, about 350 km due north of the port.

A final stage, split into 15 sections, will bring the railway to the coast by 1987.

Work has started on 14 of the sections, through mountains and across desert, towards Bandar Abbas.

The war has also emphasised the country's dependence on ports in the Persian Gulf.

Therefore the small port of Chahbahar, close to the border with Pakistan, will be developed in the coming years.

Last year, four new berths for vessels up to 25,000 tonnes were completed.

The new port will be expanded under the next five-year plan to start after 1987. Mr Mahmoodi said studies were being made to see what facilities are needed at Chahbahar.

"It will be an ambitious programme to increase capacity to 5 million tonnes from the 500,000 tonnes handled now."

In a new five-year plan, Iran will examine proposals for a rail link between the port and the railhead to the north at Zahedan. Development of a modern Iranian port outside the Persian Gulf has been given extra impetus by the war.

CSO: 4600/715

## BRIEFS

CHEMICAL PRODUCTION FROM WASTES--TEHRAN, July 31 (IRNA)--For the first time in the Islamic Republic sodium sulphite and hydrogen sodium sulphite would be produced from factory waste. The project designed jointly by the University Jihad and the Paksan factory experts would meet the domestic demand and save 500,000 West German marks annually. An official in charge of the project said the process will be according to international standards and all its equipment except for the centrifuge machines have been designed by the University Jihad at a cost of Rials 25 to 30 million (\$281,000 to 337,000). The project is 90 percent complete and would produce 600 tons of sodium sulphite and 600 tons of hydrogen sodium sulphite when it goes into operation in the second half of this year (Oct. 1984-March 1985). The price of the products would also be less. They would cost about Rials 35 to 40 (\$0.39 to \$0.45) per kilo, while their commercial price in 1361 (March 1982-83) was Rials 60 (\$0.67 per kilo). The products can be used in the textile, paper industry, photography, medicine and other industries. [Text] [Tehran KAYHAN INTERNATIONAL in English 1 Aug 84 p 2]

CSO: 4600/708

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